

CLOSING DOCUMENTS

FOR

**DRINKING WATER STATE REVOLVING
LOAN**

BETWEEN

THE STATE OF NEW HAMPSHIRE

AND

PENNICHUCK EAST UTILITY, INC.

JULY 28, 2008

STATE OF NEW HAMPSHIRE
DRINKING WATER STATE REVOLVING LOAN
TO
PENNICHUCK EAST UTILITY, INC.
(Maple Hills Water System)

TABLE OF CONTENTS	SECTION
Cover Letter	1
Loan Agreement	1
Schedule of Costs (Total Budget) (Exhibit B)	1
Promissory Note	1
Guaranty of Pennichuck Corporation	1
Opinion of Council for Borrower and Pennichuck Corporation	1
Certificate of Corporate Resolution of Borrower	2
Certificate of Resolution of Pennichuck Corporation	2
Certificate of Articles of Incorporation of Borrower	2
Certificate of Articles of Incorporation of Pennichuck Corp.	2
Certified Bylaws of Borrower	2
Certified Bylaws of Pennichuck Corporation	2
Certificate of Existence of Borrower	2
Certificate of Existence of Pennichuck Corporation	2
Governor and Council Approval	2
Public Utilities Commission Order	2
399-B Disclosure	2
Closing Agenda	2
Letter to State Treasurer regarding Taking by City of Nashua	2



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

August 7, 2008

Donald Ware
Pennichuck East Utility, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947

Subject: Pennichuck East Utility, Inc. DWSRF Project # 0612020
Drinking Water State Revolving Loan

Dear Mr. Ware:

The purpose of this letter is to officially notify Pennichuck East Utility, Inc. of action taken by Governor and Executive Council and authorized parties. On July 16, 2008, the Governor and Executive Council authorized the approval and of this date all parties have executed the loan documents which outline the conditions of a low interest loan agreement between the Department of Environmental Services and Pennichuck East Utility, Inc. in the amount of \$595,000 under the provisions of RSA 486:14 and N.H. Admin. Rules Env-Dw 1100. Attached is a copy of all of the executed documents and other items required for the closing of the loan.

The purpose of this loan is to finance the interconnection of Maple Hills water system with the Town of Derry water system. This work will include installation of water main and construction of a booster station.

Upon execution of the loan agreement and supporting documents, the applicant has six (6) months from this date to request disbursement of funds from the SRF account. Failure to request a disbursement shall cause the loan agreement to be declared null and void. Env-Dw 1106.06 describes the general procedures for requesting a loan disbursement. If the applicant has expended funds prior to the date of this loan agreement, provided they are eligible expenses, you may submit a disbursement request immediately for those expenses.

DES Web site: www.des.nh.gov

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095

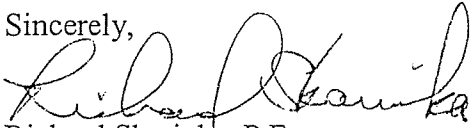
Telephone: (603) 271-2513 • Fax: (603) 271-5171 • TDD Access: Relay NH 1-800-735-2964

Donald Ware
Pennichuck East Utility, Inc.
August 7, 2008

2

We remind you that the applicant must submit plans and specifications on all significant elements of the project, and obtain design approval and authorization to advertise for bids on the project from the Department. Also, the applicant must receive authorization from the Department to award the construction contract. Please feel free to contact myself or Bob Mann at 271-2513 if you have any questions regarding the status of your loan or the program.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Skarinka".

Richard Skarinka, P.E.
Drinking Water and Groundwater Bureau

Cc: David Howe, Hinckley Allen & Snyder
McLane, Graf, Raulerson & Middleton
NH BFA
Treasury
Linda Shaw, Accounting

STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE DRINKING WATER REVOLVING LOAN FUND

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated July 18, 2008, has two parties:

- (1) the State of New Hampshire (the "State"), whose address is c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, and
- (2) the following person which is borrowing funds from the State:

Pennichuck East Utility, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947
(the "Borrower")

FUNDAMENTAL PREMISES FOR THIS AGREEMENT

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the State.

B. The Borrower is a corporation incorporated in the State of New Hampshire and subject to regulation by the Public Utilities Commission ("PUC"). The Borrower owns and operates a public water system, Maple Hills, that serves 182 single family homes in Derry, New Hampshire. The Borrower intends to borrow up to \$595,000 to interconnect the Maple Hills water system with the Town of Derry distribution system ("Project").

C. The State has determined that the Borrower's request for a loan financing the cost of the Project and made in accordance with this Agreement is eligible for funding from the Drinking Water State Revolving Fund in accordance with guidelines adopted pursuant to RSA 486:14.

TERMS AND CONDITIONS OF THIS AGREEMENT

The State and the Borrower agree as follows:

1. Definitions. The following terms shall have the meanings indicated:

“Construction Contract” means the agreement between the Borrower and a contractor for construction of the Improvements.

“Contractor” means the contractor who enters into the Construction Contract.

“State” means the State of New Hampshire.

“DWSRF” means the State’s Drinking Water State Revolving Fund under RSA 486:14.

“Engineer” means the engineer, hydrologist, surveyor or similar professional who is not employed by the borrower or its affiliates and who enters into the Engineering Contract.

“Engineering Contract” means an agreement between the Borrower and an engineer, hydrologist, surveyor or similar professional, who is not employed by the Borrower or its affiliates for providing engineering the design of the Improvements, surveying of the Project, hydrology analysis or similar professional services related to the Project.

“Event of Default” has the meaning provided in Section 8.

“Guarantor” means Pennichuck Corporation.

“Guaranty” means the Guaranty of even date made by the Guarantor.

“Hazardous Materials” has the meaning provided in Section 10.1(a).

“Improvements” means the improvements to be constructed in accordance with the Plans.

“Legal Requirements” has the meaning provided in Section 10.1(b).

“Loan Proceeds” has the meaning provided in Section 2.

“Note” means the Borrower’s Promissory Note of even date in the principal amount of \$595,000 payable to the order of the State in the form attached hereto as Exhibit C.

“Plans” mean the plans, specifications, and drawings furnished and acceptable to the State.

“Premises” mean the real property and real property interests of the Borrower, described on Exhibit A attached hereto, on which the Improvements will be constructed.

“Total Budget” means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B attached hereto.

2. The State’s Agreement to Disburse Proceeds. Provided the terms, covenants and agreements hereof shall be observed and performed, the State agrees to make disbursements to the Borrower of, and the Borrower agrees to borrow from the State, an amount not to exceed the total

principal amount of the Note (such disbursements made, from time to time hereafter, being hereinafter referred to as the "Loan Proceeds").

3. Representations of the Borrower. The Borrower represents and warrants as follows:

(a) Recitals. The Recitals set forth at the beginning of this Agreement are true and correct;

(b) Plans. The Borrower will file the Plans with all governmental authorities having jurisdiction with respect to the Improvements;

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements and the Borrower has obtained all necessary governmental approvals to borrow funds in accordance with the Agreement which approvals are in full force and effect;

(d) No Violation. Construction of the Improvements will not violate any zoning, environmental, subdivision or land use ordinance, regulation or law;

(e) Utilities. All utility services necessary for the operation of the Improvements for their intended purpose are available at the boundary of the Premises, including, without limitation, water supply, storm and sanitary sewer facilities, electric, gas (if applicable), and telephone facilities, and all necessary governmental regulatory consents to the connecting of such facilities to the Improvements (when constructed) have been obtained, and all such utilities are of sufficient capacity to adequately meet all needs and requirements necessary for the operation of the Improvements for their intended purposes;

(f) No Litigation. Excepting litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Pennichuck Corporation or its subsidiaries, no litigation or proceedings are pending or threatened against the Borrower or the Guarantor or affecting the Premises or the Improvements that could affect the validity or priority of the Note or the Guaranty or that could affect the Borrower's or the Guarantor's ability to perform its obligations under this Agreement, the Note, and the Guaranty, as the case may be provided that the Guarantor or its subsidiaries are subject to eminent domain proceedings of the City of Nashua in New Hampshire Public Utilities Commission Docket DW 04-048;

(g) Financial Statements. The balance sheets and financial statements of the Borrower and the Guarantor, which were submitted in connection with the Borrower's request for the loan contemplated herein, were prepared in accordance with generally accepted principles of accounting applied on a basis consistent with that of preceding periods and are complete and correct and fairly present the financial condition of the Borrower and the Guarantor, respectively, as of said dates. Neither the Borrower nor the Guarantor has any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as in the foregoing financial statements specifically mentioned. Since the date of such financial statements, there has been no material adverse change in the financial condition of the Borrower or the Guarantor;

(h) Due Organization and Authority. Each of the Borrower and the Guarantor is a duly organized and validly existing New Hampshire corporation in good standing under the laws of the State of New Hampshire. Each of the Borrower and the Guarantor has the power and authority to own its properties and to carry on business as now being conducted and is qualified to do business in every jurisdiction where such qualification is necessary and has the power to execute and deliver, and perform its obligations under this Agreement, the Note and the Guaranty, as the case may be;

(i) No Conflict; No Required Approvals. The execution and delivery and performance by each of the Borrower and the Guarantor of their respective obligations under this Agreement, the Note and the Guaranty, as the case may be, have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which the Borrower or the Guarantor is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or, except as may be provided by this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or the Guarantor pursuant to, any such indenture, agreement or instrument. Neither the Borrower nor the Guarantor is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement, the Note, or the Guaranty, as the case may be, except for approval and authorization from the Public Utilities Commission, which approval and authorization has been obtained; and in addition, no litigation or proceedings are pending or threatened against the Borrower, the Guarantor or the Premises that would affect the ability of the Borrower to complete the Improvements contemplated by this Agreement.

(j) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent. Neither the Borrower nor the Guarantor is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and neither the Borrower nor the Guarantor has knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statements referred to herein;

(k) No Material Misstatement. No statement of fact made by or on behalf of the Borrower, and no statement of fact made on behalf of the Guarantor, in this Agreement or in any certificate or schedule furnished to the State pursuant thereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower that has not been disclosed to the State that materially affects adversely, nor as far as the Borrower can foresee, will materially affect adversely the property, business, operations or conditions (financial or otherwise) of the Borrower or the Guarantor;

(l) Taxes. Each of the Borrower and the Guarantor has filed all federal, state and local tax returns required to be filed, or except that they have filed for lawful extensions for filing returns, and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments;

(m) Enforceability. This Agreement and the Note, upon execution and delivery, will be the valid and binding obligations of the Borrower, and the Guaranty, upon execution and delivery, will be the valid and be the valid and binding obligations of the Guarantor, in each case enforceable in accordance with their respective terms, and will not violate any other agreements or instruments to which the Borrower or the Guarantor, as the case may be, is a party or by which the Borrower or the Guarantor, as the case may be, is bound;

(n) No Broker. The making of the loan contemplated hereunder or the State's acquisition of the Note or the Guaranty will not subject the State to any claim for a brokerage commission; and

(o) Total Budget. The Borrower covenants and represents that Exhibit B attached hereto contains a complete and full enumeration of all costs (including, without limitation, hard, soft and acquisition costs) that the Borrower anticipates will be incurred in connection with the construction, the development and equipping of the Improvements and in connection with the starting up of the operation of the Improvements.

(p) Title. The Borrower has all property rights relating to the Premises necessary for the construction and operation of the Improvements

Each of the foregoing representations and warranties shall survive the making of the loan hereunder, and the Borrower shall indemnify and hold harmless the State from and against any loss, damage or liability attributable to the breach thereof, including all fees and expenses incurred in the defense or settlement of any claim arising therefrom against the State.

4. Conditions Precedent. The State's obligation to advance any of the Loan Proceeds shall be subject to the satisfaction of the following conditions precedent:

(a) [Intentionally left blank]

(b) Loan Documents. The Borrower and the Guarantor shall have executed and delivered to the State the Note and the Guaranty, each of which shall be in form and substance satisfactory to the State;

(c) Construction Contract. The Borrower shall prepare public bid offers for the Construction Contract, which shall have been reviewed approved by the State. The Borrower shall receive authorization to award contracts from the State and enter into the Construction Contract with the Contractor in accordance with the requirements of such bid;

(d) Engineering Contract. If the Total Budget includes amount for an Engineering Contract, the Borrower shall prepare a request for proposals for the Engineering Contract and the Borrower shall enter into the Engineering Contract in accordance with the requirements of such request for proposals;

(e) Assurances. The State shall receive written assurances from Engineer and the Contractor that the State shall have the same rights as the Borrower to the continued use of the Plans, and all services related thereto for the construction of the Improvements;

(f) Opinion. The State shall receive the written opinion of counsel for the Borrower, which opinion shall be satisfactory to the State, covering such matters as shall reasonably be requested by the State;

(g) Plans. The Borrower shall deliver a complete copy of the Plans to the State which Plans shall be satisfactory to the State in all respects;

(h) UCC Search. The State shall have received a satisfactory report concerning liens and security interests affecting property of the Borrower and the Guarantor.

(i) Environmental Report. The State shall have received an environmental report with respect to the Premises, which report shall be satisfactory to the State;

(j) Additional Instruments. The State shall have received such additional instruments, certificates, opinions, surveys and other documents as the State may reasonably request; and

(k) No Event of Default. No Event of Default (as defined herein) nor any event which with the giving of notice or passage of time, or both, would constitute an Event of Default shall have occurred.

5. Covenants of the Borrower. Until payment in full of all sums required to be paid by the Borrower to the State under the Note and pursuant to the provisions of this Agreement the Borrower shall:

(a) Construction. Cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within twelve (12) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements;

(b) Changes. Make no significant changes in or amendments to the Plans without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes in project work that are consistent with the objectives of the project and within the scope of this agreement do not require the approval of the State;

(c) Inspection. Permit the State and its representatives to enter upon the Premises and inspect the Improvements at all reasonable times and examine all detailed plans, drawings and specifications and any books and records relating to the Premises and the Improvements;

(d) Inadequate Loan Proceeds. If for any reason the amount of undistributed Loan Proceeds shall at any time be or become insufficient to pay for the completion of the

Improvements, including: (i) all items set forth in the Total Budget, (ii) all incurred cost overruns and incurred costs for items not included in the Total Budget and (iii) all cost overruns and costs not included in the Total Budget that the State deems likely to be incurred (regardless of how such condition may be caused), then prior to any further disbursement of Loan Proceeds, either (A) expend from funds other than Loan Proceeds an amount equal to such deficiency for amounts shown on the Total Budget, or (B) provide the State with an unconditional and irrevocable letter of credit in an amount equal to such deficiency from a bank and in form and substance satisfactory to the State;

(e) Sign. Erect a sign in accordance with the State specifications on the Premises at such location as the State in its reasonable discretion may determine, indicating that the Improvements are being financed by the State;

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance on the Improvements and any material or equipment stored on the Premises, and worker's compensation insurance with such companies, in such amounts and covering such risks as shall be satisfactory to the State and furnish such insurance policies to the State (premiums prepaid or, after failure by the Borrower to prepay the premiums or to procure such insurance policies, the State may procure any such insurance policies that it deems satisfactory at the expense of the Borrower), insuring the interests of the Borrower and the State (as additional insured for liability coverage only), as their respective interests may appear and, upon request, certificates evidencing such insurance coverage shall be promptly delivered to the State;

(g) Casualty. If the Improvements shall be damaged or destroyed by fire or any other casualty, proceed with the restoration thereof and diligently prosecute the work of restoration to completion, provided that the Loan Proceeds shall not be advanced to pay any part of the cost of such restoration;

(h) [Intentionally left blank]

(i) Expenses. Pay the State's extraordinary, reasonable expenses (including attorneys' fees) that the State incurs in (i) the approval, making and administration of the loan hereunder and (ii) the preparation and enforcement of this Agreement, the Note, the Guaranty and related documentation;

(j) Cooperation. Cooperate fully with the State with respect to any proceedings before any court, board or governmental agency that may in any way affect the rights of the State hereunder or any rights obtained by the State and, in connection therewith, permit the State, at its election, to participate in any such proceedings;

(k) Preserve Licenses. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it;

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or

upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

(m) Notice of Proceedings. Give prompt written notice to the State of any proceedings instituted against it by or in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, would have an adverse effect upon its business, operations, properties, assets, or condition, financial or otherwise;

(n) Financial Statements. If requested by the State, furnish to the State such information regarding operation, assets, business affairs and financial conditions, as the State may reasonably request and in particular shall furnish to the State (i) within ninety (90) days of the close of each fiscal year during the term of the loan, annual audited financial statements of the Guarantor, prepared in accordance with generally accepted accounting principles and certified by the Guarantor as being correct in all material respects, accompanied by an audit report of the Guarantor's respective independent certified public accountants and otherwise in form and content reasonably acceptable to the State and (ii) within forty-five (45) days of the close of each fiscal quarter during the term of the loan, quarterly financial statements of the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Guarantor, respectively, as being correct in all material respects;

(o) [Intentionally left blank]

(p) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and provide the State with written certification that the Borrower has complied with this paragraph;

(q) Two Party Check Requirements. If any contract between the Borrower or its agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such contract; and

(r) Negative Pledge. Not incur, create, or grant or permit to exist any additional security interest in or lien on its real or personal property, other than liens for real property taxes or water or sewer charges similar assessments not yet due or contested in good faith, unless (i) prior written notice is provided by the Borrower to the State describing (x) the grant of security interest or lien, (y) the real or personal property in which a security interest or lien is intended to be granted and (z) any underlying transaction pursuant to which such grant is intended to be made and (ii) the Borrower receives from the State written consent permitting such grant of security interest in or lien on such real or personal property.

6. Loan Disbursements.

6.1 Written Applications. Upon compliance with, and subject to, the provisions of this Agreement, and provided there shall exist no Event of Default under this Agreement and no condition or event which with the giving of notice or lapse of time would constitute such an Event of Default, the State shall, upon written application by the Borrower (made not less than fourteen (14) business days prior to the date of the requested disbursement under this Section 6 and made not more often than once every month), make disbursements to the Borrower from the Loan Proceeds in the amounts hereinafter specified, but not in any event to exceed, when considered in the aggregate with amounts previously advanced by the State pursuant to this Agreement, the amount of the Loan Proceeds.

6.2 Amount of Disbursement. Each such disbursement for costs incurred by the Borrower shall be disbursed by the State from the Loan Proceeds. The amount of each disbursement shall represent the total costs incurred by the Borrower and approved by the State in conformance with the Total Budget as of the date of the disbursement request form, in excess of funds required to be provided and expended by the Borrower under the terms hereof as of the date of said disbursement request form, less any amounts previously advanced by the State from the Loan Proceeds.

6.3 Application Documents. Each application for disbursement of the Loan Proceeds, must be accompanied by the following unless waived by the State in writing:

- (a) If applicable, invoices from Engineer for services in accordance with Engineering Contract;
- (b) A completed disbursement request form signed by the authorized representative of the Borrower with the Contractor's payment estimate and invoices, in form approved by the State and with such backup information as the State may reasonably request;
- (c) A certificate of the inspecting engineer or construction supervisor as may be selected by or otherwise be satisfactory to the State, that all work performed at the site of construction as of the date of such disbursement request form has been performed in good and workmanlike manner, that all materials and fixtures usually furnished and installed at that time have been furnished and installed, all in accordance with the Plans, and that sufficient Loan Proceeds remain undisbursed to complete the Improvements in accordance with the Plans and the Total Budget;
- (d) [Intentionally left blank]
- (e) [Intentionally left blank]
- (f) The Borrower's written certification that at least forty-eight (48) hours before the requested disbursement the Borrower has posted a notice in a conspicuous place on the Premises of the anticipated funding date for the disbursement, together with a copy of such notice; and

(g) Any other documents that the State shall reasonably request the Borrower to provide to protect its interests, including without limitation, lien waivers of the Contractor or subcontractors.

6.4 Lien Releases or Waivers. In connection with any disbursement of Loan Proceeds, the State may require lien releases or affidavits from, or the submission of other appropriate forms by, the Borrower, the Contractor, subcontractors or materialmen as may be required by the State.

6.5 Quality of Work. No disbursement shall be made unless all work usually done at the stage of construction when the disbursement is requested is done in a good and workmanlike manner and without defects, and all materials and fixtures usually furnished and installed at that time are furnished and installed, but the State may disburse all or part of any installments before the same shall become due and payable if the State believes it advisable to do so, and all such disbursements or payments shall be deemed to have been made pursuant to this Agreement.

6.6 No Acceptance. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the State of the work theretofore done or of materials theretofore furnished.

6.7 Two Party Checks. Disbursements may be made, at the election of the State, by checks payable to the Borrower and the Contractor jointly and delivered, at the State's election, either to the Borrower or the Contractor or each subcontractor or vendor; provided, however, that disbursement shall be by check payable to the Borrower and the Contractor or any subcontractor for which the Borrower or its agent has supplied the State with a copy of a contract as provided in Section 5(q).

6.8 Limited Duty. The Borrower agrees that the State shall assume no duty with respect to disbursement of the Loan Proceeds except to disburse upon the conditions as set forth in this Agreement.

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this Agreement, and shall be charged against the Loan Proceeds.

7. Completion of Improvements. Upon completion in full of the Improvements, the Borrower shall promptly deliver to the State:

(a) Engineer's Certificate. A written certificate of the inspecting engineer or construction supervisor that the construction of the Improvements has been fully completed in a good and workmanlike manner in accordance with the Plans;

(b) [Intentionally left blank]

(c) Project Costs. A certificate by the Borrower, in form and substance satisfactory to the State, listing all categories of project costs and expenses in connection with the construction and completion of the Improvements and the amount paid by the Borrower with respect to each; and

(d) Permits. A copy of the applicable certificates, licenses, consents and approvals issued by governmental authorities with respect to the Improvements.

8. Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) [Intentionally left blank]

(b) Assignment. The Borrower attempts to assign its rights under this Agreement or any advance made or to be made hereunder or any interest therein, or if the Premises are conveyed or encumbered in any way except as permitted by this Agreement, in each case without the written consent of the State;

(c) [Intentionally left blank]

(d) Casualty. The Improvements or the Premises are materially damaged or destroyed by fire or other casualty or cause and the insurance proceeds therefrom are inadequate to rebuild or restore the Improvements or the Premises to their condition immediately prior to such casualty;

(e) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans;

(f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or misleading in any material respect;

(g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements in an amount in excess of \$200,000 and shall not be discharged within forty-five (45) days of such filing;

(h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement not otherwise specifically referred to in this Section 8;

(i) Other Loan Documents. Any event of default as defined in the Note or the Guaranty, or any event which with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;

(j) Cessation of Work. Any substantial cessation occurs at any time in construction of the Improvements except for strikes, riots, or other causes beyond the Borrower's control, or if any

substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;

(k) Voluntary Bankruptcy. The Borrower or the Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent or (v) 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, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;

(l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower or the Guarantor by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower or the Guarantor of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(m) Dissolution, Etc. The death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or the Guarantor, a change of control of the Borrower or the Guarantor, or a sale of assets of the Borrower or the Guarantor out of the ordinary course of business without the prior written consent of the State;

(n) Other Obligations to the State. Default by the Borrower or the Guarantor in the payment or performance of any other obligations of the Borrower or the Guarantor owed to the State, whether created prior to, concurrent with, or subsequent to the obligations arising out of this Agreement, the Note or the Guaranty, as the case may be, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower or the Guarantor in any other obligation for borrowed money in excess of One Hundred Thousand Dollars (\$100,000.00); and

(p) Judgment. Final judgment for the payment of money of more than Two Hundred Thousand Dollars (\$200,000.00) in excess of any insurance proceeds shall be rendered against the Borrower or the Guarantor and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed.

9. State's Rights and Remedies Upon Default.

9.1 General State Rights. Upon the occurrence of any Event of Default, all obligations on the part of the State to make disbursements under this Agreement shall, if the State so elects, cease, and, at the option of the State (but subject to the terms and conditions set forth in the Note and the Guaranty), the Note shall become immediately due and payable, and the State shall thereupon be authorized and empowered to exercise any rights of foreclosure; but the State may make any disbursements or portions of disbursements, after the occurrence of any such Event of

Default, without thereby waiving its right to demand payment of the Borrower's indebtedness evidenced by the Note and guaranteed by the Guaranty and without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 [Intentionally left blank]

9.3 [Intentionally left blank]

9.4 Costs. The Borrower shall be liable to the State for all costs paid or incurred for the construction, completion and/or equipping of the Improvements, and all payments made or liabilities incurred by the State hereunder of any kind whatsoever shall be paid by the Borrower to the State on demand, with interest at the rate specified in the Note to the date of payment. The Borrower shall also reimburse the State for any expenses incurred in collection efforts and in enforcing its remedies, including, without limitation, reasonable attorney's fees.

9.5 Cumulative Rights. Upon the occurrence of any Event of Default, the rights, powers, privileges and other remedies available to the State under this Agreement or at law or in equity may be exercised by the State at any time and from time to time, whether or not the indebtedness evidenced by the Note and guaranteed by the Guaranty shall be due and payable, and whether or not the State shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Note.

9.6 Right of Set-Off. Any deposits or other sums at any time credited by or due from the State to the Borrower and any securities or other property of the Borrower at any time in possession of the State may at all times be held or treated as collateral security for the payment of the loan and all liabilities of the Borrower or the Guarantor to the State. Upon an Event of Default the State may apply or set-off such deposits or other sums or property against such liabilities.

9.7 Power of Attorney. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this Agreement, the Borrower hereby irrevocably constitutes and appoints the State its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts that are referred to herein in the name and behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and cannot be revoked.

10. Hazardous Materials Indemnification.

10.1 Definitions.

(a) The term "Hazardous Materials" shall mean and include asbestos, polychlorinated biphenyls ("PCB's"), other carcinogens, oil and other petroleum products, and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such under RSA Chapters 146-A, 146-C, 147-A and 147-B, CERCLA, or any other applicable federal, state or local laws, rules, codes or regulations or any judicial or administrative interpretation thereof; and

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules, codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

10.2 Indemnification. At all times, both before and after any conveyance or foreclosure of the Premises, the Borrower shall at its sole cost and expense indemnify, exonerate, protect and save the State harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgment, suits, proceedings, costs, disbursements or expenses of any kind or nature whatsoever, including without implied limitation, attorneys' and experts' fees and disbursements, which may at any time be imposed upon, incurred by or asserted or awarded against the State and arising from or out of:

(a) Any Hazardous Materials on, in, under or affecting all or any portion of the Premises or any areas surrounding the same before the Borrower is divested of title to the Property by conveyance or foreclosure or divested of possession of the Premises following an Event of Default;

(b) The violation by the Borrower of any Legal Requirements with respect to the Premises; or

(c) The enforcement of this Section 10 of the Agreement or the assertion by the Borrower of any defense to the obligations of the Borrower under this Section 10, whether any of such matters arise before or after any taking of title to or possession of all or any portion of the Premises by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses (a) or (b) above:

(i) costs of removal of any and all Hazardous Materials from all or any portion of the Premises or any areas surrounding the same;

(ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials (x) on, in, under, or affecting, the Premises or (y) into the air, any body of water or wetland, any other public domain, or any areas surrounding the Premises;

(iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Premises arising from any failure to comply with Legal Requirements;

(iv) costs incurred to comply with all Legal Requirements relating to the Premises or any other collateral for the Loan, including, without limitation, fines, penalties or other charges imposed by any lawful authority; and

(v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Premises and any remedial action taken on account thereof including, without limitation, the costs, fees and expenses of engineers, geologists, chemists, other scientists, attorneys, surveyors and other professionals, and testing and

analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

11. Assignments. The State may assign, negotiate or pledge all or any portion of its rights under this Agreement or any of its rights with respect to the Note and the Guaranty, and, in case of such assignment, the Borrower shall accord full recognition thereto. The Borrower hereby consents to the State's delivery of any and all financial or other information concerning the Borrower or the Guarantor to any assignee or participating lender. The Borrower shall not assign or attempt to assign, directly or indirectly, any of its rights under this Agreement or under any instrument referred to herein without the prior written consent of the State.

12. General Provisions.

12.1 Captions. The captions in this instrument are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

12.2 Number and Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12.3 Binding Effect. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the Borrower, as the case may be, and the successors and assigns of the State.

12.4 Notices. Any notice, demand, request or other communication given hereunder or in connection herewith shall be in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive the same at its address set forth above or at such other address as such party may hereafter designate by notice given in like fashion. Any such notice, demand, request or other communication shall be deemed given when mailed as aforesaid.

12.5 Governing Law. This Agreement has been made in the State of New Hampshire, and the provisions thereof shall be governed by and construed in accordance with the law of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

12.6 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note, contains the full, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings, representations or agreements, whether written or oral, with respect to such subject matter.

12.7 Amendment and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and, in the case of an amendment, modification or termination, by the Borrower.

12.8 Consent to Jurisdiction. The Borrower hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District

of New Hampshire in connection with any suit to enforce any right of the State under the Note or this Agreement.

12.9 Joint and Several. If the Borrower consists of more than one person or entity, such persons and entities shall have joint and several liability hereunder.

12.10 Severability. If any provision or condition of this Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the State and the Borrower have each duly caused this Agreement to be executed, by their respective officers, thereunto duly authorized, as of the day and year indicated above.

THE STATE OF NEW HAMPSHIRE

Robert J. Burack
Witness

By: Thomas A. Burack
Thomas Burack, Commissioner
Department of Environmental Services

Catherine Provencher
Witness

By: Catherine Provencher
Catherine Provencher, State Treasurer
Department of Treasury

PENNICHUCK EAST UTILITY, INC.

Jason A. Nybold
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: President
Duly Authorized

JOINDER OF GUARANTOR

The undersigned, being the person named as the Guarantor in the foregoing Loan Agreement, hereby joins therein and agrees to be legally and equitably bound by all of the terms, covenants, warranties, representations, conditions and thereof, this 28th day of July, 2008.

PENNICHUCK CORPORATION

Jason A. Nybold
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: Senior Vice President, Operations

STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
STATE DRINKING WATER REVOLVING LOAN FUND

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated July 18, 2008, has two parties:

- (1) the State of New Hampshire (the "State"), whose address is c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, and
- (2) the following person which is borrowing funds from the State:

Pennichuck East Utility, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947
(the "Borrower")

FUNDAMENTAL PREMISES FOR THIS AGREEMENT

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the State.

B. The Borrower is a corporation incorporated in the State of New Hampshire and subject to regulation by the Public Utilities Commission ("PUC"). The Borrower owns and operates a public water system, Maple Hills, that serves 182 single family homes in Derry, New Hampshire. The Borrower intends to borrow up to \$595,000 to interconnect the Maple Hills water system with the Town of Derry distribution system ("Project").

C. The State has determined that the Borrower's request for a loan financing the cost of the Project and made in accordance with this Agreement is eligible for funding from the Drinking Water State Revolving Fund in accordance with guidelines adopted pursuant to RSA 486:14.

TERMS AND CONDITIONS OF THIS AGREEMENT

The State and the Borrower agree as follows:

1. Definitions. The following terms shall have the meanings indicated:

"Construction Contract" means the agreement between the Borrower and a contractor for construction of the Improvements.

"Contractor" means the contractor who enters into the Construction Contract.

"State" means the State of New Hampshire.

"DWSRF" means the State's Drinking Water State Revolving Fund under RSA 486:14.

"Engineer" means the engineer, hydrologist, surveyor or similar professional who is not employed by the borrower or its affiliates and who enters into the Engineering Contract.

"Engineering Contract" means an agreement between the Borrower and an engineer, hydrologist, surveyor or similar professional, who is not employed by the Borrower or its affiliates for providing engineering the design of the Improvements, surveying of the Project, hydrology analysis or similar professional services related to the Project.

"Event of Default" has the meaning provided in Section 8.

"Guarantor" means Pennichuck Corporation.

"Guaranty" means the Guaranty of even date made by the Guarantor.

"Hazardous Materials" has the meaning provided in Section 10.1(a).

"Improvements" means the improvements to be constructed in accordance with the Plans.

"Legal Requirements" has the meaning provided in Section 10.1(b).

"Loan Proceeds" has the meaning provided in Section 2.

"Note" means the Borrower's Promissory Note of even date in the principal amount of \$595,000 payable to the order of the State in the form attached hereto as Exhibit C.

"Plans" mean the plans, specifications, and drawings furnished and acceptable to the State.

"Premises" mean the real property and real property interests of the Borrower, described on Exhibit A attached hereto, on which the Improvements will be constructed.

"Total Budget" means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B attached hereto.

2. The State's Agreement to Disburse Proceeds. Provided the terms, covenants and agreements hereof shall be observed and performed, the State agrees to make disbursements to the Borrower of, and the Borrower agrees to borrow from the State, an amount not to exceed the total

principal amount of the Note (such disbursements made, from time to time hereafter, being hereinafter referred to as the "Loan Proceeds").

3. Representations of the Borrower. The Borrower represents and warrants as follows:

(a) Recitals. The Recitals set forth at the beginning of this Agreement are true and correct;

(b) Plans. The Borrower will file the Plans with all governmental authorities having jurisdiction with respect to the Improvements;

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements and the Borrower has obtained all necessary governmental approvals to borrow funds in accordance with the Agreement which approvals are in full force and effect;

(d) No Violation. Construction of the Improvements will not violate any zoning, environmental, subdivision or land use ordinance, regulation or law;

(e) Utilities. All utility services necessary for the operation of the Improvements for their intended purpose are available at the boundary of the Premises, including, without limitation, water supply, storm and sanitary sewer facilities, electric, gas (if applicable), and telephone facilities, and all necessary governmental regulatory consents to the connecting of such facilities to the Improvements (when constructed) have been obtained, and all such utilities are of sufficient capacity to adequately meet all needs and requirements necessary for the operation of the Improvements for their intended purposes;

(f) No Litigation. Excepting litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Pennichuck Corporation or its subsidiaries, no litigation or proceedings are pending or threatened against the Borrower or the Guarantor or affecting the Premises or the Improvements that could affect the validity or priority of the Note or the Guaranty or that could affect the Borrower's or the Guarantor's ability to perform its obligations under this Agreement, the Note, and the Guaranty, as the case may be provided that the Guarantor or its subsidiaries are subject to eminent domain proceedings of the City of Nashua in New Hampshire Public Utilities Commission Docket DW 04-048;

(g) Financial Statements. The balance sheets and financial statements of the Borrower and the Guarantor, which were submitted in connection with the Borrower's request for the loan contemplated herein, were prepared in accordance with generally accepted principles of accounting applied on a basis consistent with that of preceding periods and are complete and correct and fairly present the financial condition of the Borrower and the Guarantor, respectively, as of said dates. Neither the Borrower nor the Guarantor has any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as in the foregoing financial statements specifically mentioned. Since the date of such financial statements, there has been no material adverse change in the financial condition of the Borrower or the Guarantor;

(h) Due Organization and Authority. Each of the Borrower and the Guarantor is a duly organized and validly existing New Hampshire corporation in good standing under the laws of the State of New Hampshire. Each of the Borrower and the Guarantor has the power and authority to own its properties and to carry on business as now being conducted and is qualified to do business in every jurisdiction where such qualification is necessary and has the power to execute and deliver, and perform its obligations under this Agreement, the Note and the Guaranty, as the case may be;

(i) No Conflict; No Required Approvals. The execution and delivery and performance by each of the Borrower and the Guarantor of their respective obligations under this Agreement, the Note and the Guaranty, as the case may be, have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which the Borrower or the Guarantor is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or, except as may be provided by this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or the Guarantor pursuant to, any such indenture, agreement or instrument. Neither the Borrower nor the Guarantor is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement, the Note, or the Guaranty, as the case may be, except for approval and authorization from the Public Utilities Commission, which approval and authorization has been obtained; and in addition, no litigation or proceedings are pending or threatened against the Borrower, the Guarantor or the Premises that would affect the ability of the Borrower to complete the Improvements contemplated by this Agreement.

(j) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent. Neither the Borrower nor the Guarantor is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and neither the Borrower nor the Guarantor has knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statements referred to herein;

(k) No Material Misstatement. No statement of fact made by or on behalf of the Borrower, and no statement of fact made on behalf of the Guarantor, in this Agreement or in any certificate or schedule furnished to the State pursuant thereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower that has not been disclosed to the State that materially affects adversely, nor as far as the Borrower can foresee, will materially affect adversely the property, business, operations or conditions (financial or otherwise) of the Borrower or the Guarantor;

(l) Taxes. Each of the Borrower and the Guarantor has filed all federal, state and local tax returns required to be filed, or except that they have filed for lawful extensions for filing returns, and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments;

(m) Enforceability. This Agreement and the Note, upon execution and delivery, will be the valid and binding obligations of the Borrower, and the Guaranty, upon execution and delivery, will be the valid and binding obligations of the Guarantor, in each case enforceable in accordance with their respective terms, and will not violate any other agreements or instruments to which the Borrower or the Guarantor, as the case may be, is a party or by which the Borrower or the Guarantor, as the case may be, is bound;

(n) No Broker. The making of the loan contemplated hereunder or the State's acquisition of the Note or the Guaranty will not subject the State to any claim for a brokerage commission; and

(o) Total Budget. The Borrower covenants and represents that Exhibit B attached hereto contains a complete and full enumeration of all costs (including, without limitation, hard, soft and acquisition costs) that the Borrower anticipates will be incurred in connection with the construction, the development and equipping of the Improvements and in connection with the starting up of the operation of the Improvements.

(p) Title. The Borrower has all property rights relating to the Premises necessary for the construction and operation of the Improvements

Each of the foregoing representations and warranties shall survive the making of the loan hereunder, and the Borrower shall indemnify and hold harmless the State from and against any loss, damage or liability attributable to the breach thereof, including all fees and expenses incurred in the defense or settlement of any claim arising therefrom against the State.

4. Conditions Precedent. The State's obligation to advance any of the Loan Proceeds shall be subject to the satisfaction of the following conditions precedent:

(a) [Intentionally left blank]

(b) Loan Documents. The Borrower and the Guarantor shall have executed and delivered to the State the Note and the Guaranty, each of which shall be in form and substance satisfactory to the State;

(c) Construction Contract. The Borrower shall prepare public bid offers for the Construction Contract, which shall have been reviewed approved by the State. The Borrower shall receive authorization to award contracts from the State and enter into the Construction Contract with the Contractor in accordance with the requirements of such bid;

(d) Engineering Contract. If the Total Budget includes amount for an Engineering Contract, the Borrower shall prepare a request for proposals for the Engineering Contract and the Borrower shall enter into the Engineering Contract in accordance with the requirements of such request for proposals;

(e) Assurances. The State shall receive written assurances from Engineer and the Contractor that the State shall have the same rights as the Borrower to the continued use of the Plans, and all services related thereto for the construction of the Improvements;

(f) Opinion. The State shall receive the written opinion of counsel for the Borrower, which opinion shall be satisfactory to the State, covering such matters as shall reasonably be requested by the State;

(g) Plans. The Borrower shall deliver a complete copy of the Plans to the State which Plans shall be satisfactory to the State in all respects;

(h) UCC Search. The State shall have received a satisfactory report concerning liens and security interests affecting property of the Borrower and the Guarantor.

(i) Environmental Report. The State shall have received an environmental report with respect to the Premises, which report shall be satisfactory to the State;

(j) Additional Instruments. The State shall have received such additional instruments, certificates, opinions, surveys and other documents as the State may reasonably request; and

(k) No Event of Default. No Event of Default (as defined herein) nor any event which with the giving of notice or passage of time, or both, would constitute an Event of Default shall have occurred.

5. Covenants of the Borrower. Until payment in full of all sums required to be paid by the Borrower to the State under the Note and pursuant to the provisions of this Agreement the Borrower shall:

(a) Construction. Cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within twelve (12) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements;

(b) Changes. Make no significant changes in or amendments to the Plans without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes in project work that are consistent with the objectives of the project and within the scope of this agreement do not require the approval of the State;

(c) Inspection. Permit the State and its representatives to enter upon the Premises and inspect the Improvements at all reasonable times and examine all detailed plans, drawings and specifications and any books and records relating to the Premises and the Improvements;

(d) Inadequate Loan Proceeds. If for any reason the amount of undistributed Loan Proceeds shall at any time be or become insufficient to pay for the completion of the

Improvements, including: (i) all items set forth in the Total Budget, (ii) all incurred cost overruns and incurred costs for items not included in the Total Budget and (iii) all cost overruns and costs not included in the Total Budget that the State deems likely to be incurred (regardless of how such condition may be caused), then prior to any further disbursement of Loan Proceeds, either (A) expend from funds other than Loan Proceeds an amount equal to such deficiency for amounts shown on the Total Budget, or (B) provide the State with an unconditional and irrevocable letter of credit in an amount equal to such deficiency from a bank and in form and substance satisfactory to the State;

(e) Sign. Erect a sign in accordance with the State specifications on the Premises at such location as the State in its reasonable discretion may determine, indicating that the Improvements are being financed by the State;

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance on the Improvements and any material or equipment stored on the Premises, and worker's compensation insurance with such companies, in such amounts and covering such risks as shall be satisfactory to the State and furnish such insurance policies to the State (premiums prepaid or, after failure by the Borrower to prepay the premiums or to procure such insurance policies, the State may procure any such insurance policies that it deems satisfactory at the expense of the Borrower), insuring the interests of the Borrower and the State (as additional insured for liability coverage only), as their respective interests may appear and, upon request, certificates evidencing such insurance coverage shall be promptly delivered to the State;

(g) Casualty. If the Improvements shall be damaged or destroyed by fire or any other casualty, proceed with the restoration thereof and diligently prosecute the work of restoration to completion, provided that the Loan Proceeds shall not be advanced to pay any part of the cost of such restoration;

(h) [Intentionally left blank]

(i) Expenses. Pay the State's extraordinary, reasonable expenses (including attorneys' fees) that the State incurs in (i) the approval, making and administration of the loan hereunder and (ii) the preparation and enforcement of this Agreement, the Note, the Guaranty and related documentation;

(j) Cooperation. Cooperate fully with the State with respect to any proceedings before any court, board or governmental agency that may in any way affect the rights of the State hereunder or any rights obtained by the State and, in connection therewith, permit the State, at its election, to participate in any such proceedings;

(k) Preserve Licenses. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it;

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or

upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

(m) Notice of Proceedings. Give prompt written notice to the State of any proceedings instituted against it by or in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, would have an adverse effect upon its business, operations, properties, assets, or condition, financial or otherwise;

(n) Financial Statements. If requested by the State, furnish to the State such information regarding operation, assets, business affairs and financial conditions, as the State may reasonably request and in particular shall furnish to the State (i) within ninety (90) days of the close of each fiscal year during the term of the loan, annual audited financial statements of the Guarantor, prepared in accordance with generally accepted accounting principles and certified by the Guarantor as being correct in all material respects, accompanied by an audit report of the Guarantor's respective independent certified public accountants and otherwise in form and content reasonably acceptable to the State and (ii) within forty-five (45) days of the close of each fiscal quarter during the term of the loan, quarterly financial statements of the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Guarantor, respectively, as being correct in all material respects;

(o) [Intentionally left blank]

(p) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and provide the State with written certification that the Borrower has complied with this paragraph;

(q) Two Party Check Requirements. If any contract between the Borrower or its agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such contract; and

(r) Negative Pledge. Not incur, create, or grant or permit to exist any additional security interest in or lien on its real or personal property, other than liens for real property taxes or water or sewer charges similar assessments not yet due or contested in good faith, unless (i) prior written notice is provided by the Borrower to the State describing (x) the grant of security interest or lien, (y) the real or personal property in which a security interest or lien is intended to be granted and (z) any underlying transaction pursuant to which such grant is intended to be made and (ii) the Borrower receives from the State written consent permitting such grant of security interest in or lien on such real or personal property.

6. Loan Disbursements.

6.1 Written Applications. Upon compliance with, and subject to, the provisions of this Agreement, and provided there shall exist no Event of Default under this Agreement and no condition or event which with the giving of notice or lapse of time would constitute such an Event of Default, the State shall, upon written application by the Borrower (made not less than fourteen (14) business days prior to the date of the requested disbursement under this Section 6 and made not more often than once every month), make disbursements to the Borrower from the Loan Proceeds in the amounts hereinafter specified, but not in any event to exceed, when considered in the aggregate with amounts previously advanced by the State pursuant to this Agreement, the amount of the Loan Proceeds.

6.2 Amount of Disbursement. Each such disbursement for costs incurred by the Borrower shall be disbursed by the State from the Loan Proceeds. The amount of each disbursement shall represent the total costs incurred by the Borrower and approved by the State in conformance with the Total Budget as of the date of the disbursement request form, in excess of funds required to be provided and expended by the Borrower under the terms hereof as of the date of said disbursement request form, less any amounts previously advanced by the State from the Loan Proceeds.

6.3 Application Documents. Each application for disbursement of the Loan Proceeds, must be accompanied by the following unless waived by the State in writing:

- (a) If applicable, invoices from Engineer for services in accordance with Engineering Contract;
- (b) A completed disbursement request form signed by the authorized representative of the Borrower with the Contractor's payment estimate and invoices, in form approved by the State and with such backup information as the State may reasonably request;
- (c) A certificate of the inspecting engineer or construction supervisor as may be selected by or otherwise be satisfactory to the State, that all work performed at the site of construction as of the date of such disbursement request form has been performed in good and workmanlike manner, that all materials and fixtures usually furnished and installed at that time have been furnished and installed, all in accordance with the Plans, and that sufficient Loan Proceeds remain undisbursed to complete the Improvements in accordance with the Plans and the Total Budget;
- (d) [Intentionally left blank]
- (e) [Intentionally left blank]
- (f) The Borrower's written certification that at least forty-eight (48) hours before the requested disbursement the Borrower has posted a notice in a conspicuous place on the Premises of the anticipated funding date for the disbursement, together with a copy of such notice; and

(g) Any other documents that the State shall reasonably request the Borrower to provide to protect its interests, including without limitation, lien waivers of the Contractor or subcontractors.

6.4 Lien Releases or Waivers. In connection with any disbursement of Loan Proceeds, the State may require lien releases or affidavits from, or the submission of other appropriate forms by, the Borrower, the Contractor, subcontractors or materialmen as may be required by the State.

6.5 Quality of Work. No disbursement shall be made unless all work usually done at the stage of construction when the disbursement is requested is done in a good and workmanlike manner and without defects, and all materials and fixtures usually furnished and installed at that time are furnished and installed, but the State may disburse all or part of any installments before the same shall become due and payable if the State believes it advisable to do so, and all such disbursements or payments shall be deemed to have been made pursuant to this Agreement.

6.6 No Acceptance. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the State of the work theretofore done or of materials theretofore furnished.

6.7 Two Party Checks. Disbursements may be made, at the election of the State, by checks payable to the Borrower and the Contractor jointly and delivered, at the State's election, either to the Borrower or the Contractor or each subcontractor or vendor; provided, however, that disbursement shall be by check payable to the Borrower and the Contractor or any subcontractor for which the Borrower or its agent has supplied the State with a copy of a contract as provided in Section 5(q).

6.8 Limited Duty. The Borrower agrees that the State shall assume no duty with respect to disbursement of the Loan Proceeds except to disburse upon the conditions as set forth in this Agreement.

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this Agreement, and shall be charged against the Loan Proceeds.

7. Completion of Improvements. Upon completion in full of the Improvements, the Borrower shall promptly deliver to the State:

(a) Engineer's Certificate. A written certificate of the inspecting engineer or construction supervisor that the construction of the Improvements has been fully completed in a good and workmanlike manner in accordance with the Plans;

(b) [Intentionally left blank]

(c) Project Costs. A certificate by the Borrower, in form and substance satisfactory to the State, listing all categories of project costs and expenses in connection with the construction and completion of the Improvements and the amount paid by the Borrower with respect to each; and

(d) Permits. A copy of the applicable certificates, licenses, consents and approvals issued by governmental authorities with respect to the Improvements.

8. Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) [Intentionally left blank]

(b) Assignment. The Borrower attempts to assign its rights under this Agreement or any advance made or to be made hereunder or any interest therein, or if the Premises are conveyed or encumbered in any way except as permitted by this Agreement, in each case without the written consent of the State;

(c) [Intentionally left blank]

(d) Casualty. The Improvements or the Premises are materially damaged or destroyed by fire or other casualty or cause and the insurance proceeds therefrom are inadequate to rebuild or restore the Improvements or the Premises to their condition immediately prior to such casualty;

(e) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans;

(f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or misleading in any material respect;

(g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements in an amount in excess of \$200,000 and shall not be discharged within forty-five (45) days of such filing;

(h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement not otherwise specifically referred to in this Section 8;

(i) Other Loan Documents. Any event of default as defined in the Note or the Guaranty, or any event which with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;

(j) Cessation of Work. Any substantial cessation occurs at any time in construction of the Improvements except for strikes, riots, or other causes beyond the Borrower's control, or if any

substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;

(k) Voluntary Bankruptcy. The Borrower or the Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent or (v) 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, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;

(l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower or the Guarantor by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower or the Guarantor of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(m) Dissolution, Etc. The death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or the Guarantor, a change of control of the Borrower or the Guarantor, or a sale of assets of the Borrower or the Guarantor out of the ordinary course of business without the prior written consent of the State;

(n) Other Obligations to the State. Default by the Borrower or the Guarantor in the payment or performance of any other obligations of the Borrower or the Guarantor owed to the State, whether created prior to, concurrent with, or subsequent to the obligations arising out of this Agreement, the Note or the Guaranty, as the case may be, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower or the Guarantor in any other obligation for borrowed money in excess of One Hundred Thousand Dollars (\$100,000.00); and

(p) Judgment. Final judgment for the payment of money of more than Two Hundred Thousand Dollars (\$200,000.00) in excess of any insurance proceeds shall be rendered against the Borrower or the Guarantor and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed.

9. State's Rights and Remedies Upon Default.

9.1 General State Rights. Upon the occurrence of any Event of Default, all obligations on the part of the State to make disbursements under this Agreement shall, if the State so elects, cease, and, at the option of the State (but subject to the terms and conditions set forth in the Note and the Guaranty), the Note shall become immediately due and payable, and the State shall thereupon be authorized and empowered to exercise any rights of foreclosure; but the State may make any disbursements or portions of disbursements, after the occurrence of any such Event of

Default, without thereby waiving its right to demand payment of the Borrower's indebtedness evidenced by the Note and guaranteed by the Guaranty and without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 [Intentionally left blank]

9.3 [Intentionally left blank]

9.4 Costs. The Borrower shall be liable to the State for all costs paid or incurred for the construction, completion and/or equipping of the Improvements, and all payments made or liabilities incurred by the State hereunder of any kind whatsoever shall be paid by the Borrower to the State on demand, with interest at the rate specified in the Note to the date of payment. The Borrower shall also reimburse the State for any expenses incurred in collection efforts and in enforcing its remedies, including, without limitation, reasonable attorney's fees.

9.5 Cumulative Rights. Upon the occurrence of any Event of Default, the rights, powers, privileges and other remedies available to the State under this Agreement or at law or in equity may be exercised by the State at any time and from time to time, whether or not the indebtedness evidenced by the Note and guaranteed by the Guaranty shall be due and payable, and whether or not the State shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Note.

9.6 Right of Set-Off. Any deposits or other sums at any time credited by or due from the State to the Borrower and any securities or other property of the Borrower at any time in possession of the State may at all times be held or treated as collateral security for the payment of the loan and all liabilities of the Borrower or the Guarantor to the State. Upon an Event of Default the State may apply or set-off such deposits or other sums or property against such liabilities.

9.7 Power of Attorney. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this Agreement, the Borrower hereby irrevocably constitutes and appoints the State its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts that are referred to herein in the name and behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and cannot be revoked.

10. Hazardous Materials Indemnification.

10.1 Definitions.

(a) The term "Hazardous Materials" shall mean and include asbestos, polychlorinated biphenyls ("PCB's"), other carcinogens, oil and other petroleum products, and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such under RSA Chapters 146-A, 146-C, 147-A and 147-B, CERCLA, or any other applicable federal, state or local laws, rules, codes or regulations or any judicial or administrative interpretation thereof; and

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules, codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

10.2 Indemnification. At all times, both before and after any conveyance or foreclosure of the Premises, the Borrower shall at its sole cost and expense indemnify, exonerate, protect and save the State harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgment, suits, proceedings, costs, disbursements or expenses of any kind or nature whatsoever, including without implied limitation, attorneys' and experts' fees and disbursements, which may at any time be imposed upon, incurred by or asserted or awarded against the State and arising from or out of:

(a) Any Hazardous Materials on, in, under or affecting all or any portion of the Premises or any areas surrounding the same before the Borrower is divested of title to the Property by conveyance or foreclosure or divested of possession of the Premises following an Event of Default;

(b) The violation by the Borrower of any Legal Requirements with respect to the Premises; or

(c) The enforcement of this Section 10 of the Agreement or the assertion by the Borrower of any defense to the obligations of the Borrower under this Section 10, whether any of such matters arise before or after any taking of title to or possession of all or any portion of the Premises by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses (a) or (b) above:

(i) costs of removal of any and all Hazardous Materials from all or any portion of the Premises or any areas surrounding the same;

(ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials (x) on, in, under, or affecting, the Premises or (y) into the air, any body of water or wetland, any other public domain, or any areas surrounding the Premises;

(iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Premises arising from any failure to comply with Legal Requirements;

(iv) costs incurred to comply with all Legal Requirements relating to the Premises or any other collateral for the Loan, including, without limitation, fines, penalties or other charges imposed by any lawful authority; and

(v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Premises and any remedial action taken on account thereof including, without limitation, the costs, fees and expenses of engineers, geologists, chemists, other scientists, attorneys, surveyors and other professionals, and testing and

analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

11. Assignments. The State may assign, negotiate or pledge all or any portion of its rights under this Agreement or any of its rights with respect to the Note and the Guaranty, and, in case of such assignment, the Borrower shall accord full recognition thereto. The Borrower hereby consents to the State's delivery of any and all financial or other information concerning the Borrower or the Guarantor to any assignee or participating lender. The Borrower shall not assign or attempt to assign, directly or indirectly, any of its rights under this Agreement or under any instrument referred to herein without the prior written consent of the State.

12. General Provisions.

12.1 Captions. The captions in this instrument are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

12.2 Number and Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12.3 Binding Effect. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the Borrower, as the case may be, and the successors and assigns of the State.

12.4 Notices. Any notice, demand, request or other communication given hereunder or in connection herewith shall be in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive the same at its address set forth above or at such other address as such party may hereafter designate by notice given in like fashion. Any such notice, demand, request or other communication shall be deemed given when mailed as aforesaid.

12.5 Governing Law. This Agreement has been made in the State of New Hampshire, and the provisions thereof shall be governed by and construed in accordance with the law of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

12.6 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note, contains the full, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings, representations or agreements, whether written or oral, with respect to such subject matter.

12.7 Amendment and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and, in the case of an amendment, modification or termination, by the Borrower.

12.8 Consent to Jurisdiction. The Borrower hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District

of New Hampshire in connection with any suit to enforce any right of the State under the Note or this Agreement.

12.9 Joint and Several. If the Borrower consists of more than one person or entity, such persons and entities shall have joint and several liability hereunder.

12.10 Severability. If any provision or condition of this Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the State and the Borrower have each duly caused this Agreement to be executed, by their respective officers, thereunto duly authorized, as of the day and year indicated above.

THE STATE OF NEW HAMPSHIRE

Robert J. Burack
Witness

By: Thomas A. Burack
Thomas Burack, Commissioner
Department of Environmental Services

Catherine Provencher
Witness

By: Catherine Provencher
Catherine Provencher, State Treasurer
Department of Treasury

PENNICHUCK EAST UTILITY, INC.

James A. Hyland
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: President
Duly Authorized

JOINDER OF GUARANTOR

The undersigned, being the person named as the Guarantor in the foregoing Loan Agreement, hereby joins therein and agrees to be legally and equitably bound by all of the terms, covenants, warranties, representations, conditions and thereof, this 28th day of July, 2008.

PENNICHUCK CORPORATION

James A. Hyland
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: Senior Vice President, Operations

Pennichuck East Utilities

EXHIBIT B

Maple Hills Booster Station

7/24/2008

Raw Water Main

Materials

<u>Item Description</u>		<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Extension</u>
5' Valve Box Complete	-	9	EA	\$81.00	\$729
8" CI 52 DIPCL	-	1800	LF	\$19.00	\$34,200
8"x8"x8" MJ Tee	-	5	EA	\$190.00	\$950
8"x8"x6" MJ Hydrant Tee, Hydrant & Valve	-	2	EA	\$1,500.00	\$3,000
8" Gate Valve	-	9	EA	\$560.00	\$5,040
8" Meg-A-Lugs	-	51	EA	\$39.00	\$1,989
Shop Made Thrust Blocks	-	16	EA	\$50.00	\$800
1" type K copper	-	250	LF	\$9.00	\$2,250
1" Curb Stop	-	5	EA	\$78.00	\$390
1" Corporation	-	5	EA	\$75.00	\$375
Service Box - Complete	-	5	EA	\$29.00	\$145
Gravel Subbase - 12"	-	667	CY	\$21.00	\$14,000
Pavement Trench Repair - 4.5"x8' wide	-	1200	Tons	\$125.00	\$150,000
Gravel Shoulder - 3" Crushed	-	150	CY	\$24.00	\$3,600
Sand Bedding	-	625	CY	\$15.00	\$9,375
Materials Sub Total -					\$226,843
5 % materials contingency -					\$11,342
Materials Totals minus Contractor mark up -					\$238,185
Contractor Materials Mark up @ 10% -					\$23,819
Project Total - Materials -					\$262,004

Labor, Equipment and Materials

<u>Item Description</u>		<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Extension</u>
Mobilization/Demobilization	-	1	LS	\$ 6,000.00	\$ 6,000
Pipe Crew - Fittings/valves/Hydrants	-	2	DAY	\$ 3,450.00	\$ 6,900
Pipe Crew - No Ledge @ 180 LF per day	-	10	DAY	\$ 3,450.00	\$ 34,500
Air Release Fitting Crew	-	1	DAY	\$ 2,250.00	\$ 2,250
Ledge Removal 600 LF @ 2')	-	178	CY	\$ 110.00	\$ 19,556
Police	-	16	Hour	\$ 40.00	\$ 640
Pressure Testing and CI2	-	1	EA	\$ 450.00	\$ 450
LEM Subtotal -					\$ 70,296
Project Total -					\$ 332,299
Overall Project Contingency @ 10% -					\$33,230
Project Total w/out Overhead -					\$365,529

180 LF per day

	<u>Quantity</u>	<u>Unit</u>	<u>Unit Price</u>	<u>Extension</u>
Booster Station Building	1	LS	\$ 57,000.00	\$ 57,000.00
Electrical/SCADA	1	LS	\$ 66,000.00	\$ 66,000.00
Generator	1	LS	\$ 22,000.00	\$ 22,000.00
Mechanical	1	LS	\$ 38,000.00	\$ 38,000.00
Site Work	1	LS	\$ 35,000.00	\$ 35,000.00
Easements	1	LS	\$ 10,000.00	\$ 10,000.00
Permits	1	LS	\$ 2,500.00	\$ 2,500.00
				\$ 230,500.00

PWW Engineering	1	LS	\$ 30,000.00	\$ 15,000.00
Survey - Easement, Site, Boundary, & Plot	1	LS	\$ 8,000.00	\$ 8,000.00
Structural	1	LS	\$750.00	\$ 500.00
Civil Site	1	LS	\$1,500.00	\$1,500
Legal	1	LS	\$4,000.00	\$4,000
				\$ 29,000.00
TOTAL				\$ 625,029.14

EXHIBIT C

PROMISSORY NOTE

\$595,000

Concord, New Hampshire
July 7th, 2008

FOR VALUE RECEIVED, Pennichuck East Utility, Inc., a New Hampshire corporation, with a principal place of business at 25 Manchester Street, P.O. Box 1947, Merrimack, NH 03054-1947 (the "Maker"), promises to pay to State of New Hampshire with an address of c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, or its order (the "Payee"), the sum of Five Hundred Ninety-Five Thousand Dollars (\$595,000) or such lesser amount as shall be disbursed to the Maker by the Payee pursuant to a Loan Agreement of near or even date by and between the Maker and the Payee (the "Loan Agreement"), in lawful money of the United States, together with interest thereon at the annual rate of one percent (1%) until the earlier of (i) the date of substantial completion of the Improvements (as defined in the Loan Agreement) as determined by the Payee or (ii) July 1, 2009 (such earlier date being the "Interest Rate Change Date") and commencing on the Interest Rate Change Date at the lower of (A) the annual rate of Three and Four Hundred Eighty-Eight Thousandths (3.488%) or (B) eighty percent (80%) of the established 11 General Obligations Bond Index published during the first week of the month of October before the Interest Rate Change Date. Interest shall be computed on the basis of a 360 day year.

1. Payments. The interest and principal of this Note shall be paid as follows:

(a) Two Hundred and Forty (240) consecutive equal monthly installments of principal and interest in an amount sufficient to amortize the sum of the principal balance of the Note plus interest accruing prior to the Interest Rate Change Date (the "Capitalized Amortization Amount") in 240 monthly installments, each on the first day of each month, commencing the first day of the sixth month after the earlier of (i) the date of substantial completion of the Improvements (as defined in the Loan Agreement) as determined by the Payee or (ii) July 1, 2009 (such earlier date being the "First Amortization Payment Date"); provided that the Capitalized Amortization Amount shall not exceed \$595,000 and if exceeds \$595,000, such excess amount shall be due and payable on the first Amortization Payment Date.

2. Prepayment. The Maker shall have the right to prepay any or all sums due under this Note without penalty. Prepayments shall be applied first to accrued interest and then to principal. Partial prepayments of principal shall be applied against the outstanding principal balance; provided, however, that the Maker shall continue to make principal payments in the amounts specified above and on the dates specified above, with interest on the outstanding principal balance recomputed accordingly, until the Maker's obligations under this Note are satisfied in full.

3. Due Date; Late Payment. All payments of principal and interest shall be due on or before the due date specified above; provided, however, that the Maker shall not be deemed in

default hereunder if payment is received by the Payee on or before 4:00 p.m. of the seventh day following the due date. The Maker agrees to pay a late charge of five percent (5%) of the amount of any payment due under this Note that is not paid within seven (7) days of its due date.

4. Applicable Interest. The Maker expressly agrees that the Applicable Interest Rate specified in this Note shall be the applicable interest rate due (i) on amounts outstanding during the term hereof and (ii) with respect to any amount outstanding on and after the maturity date hereof.

5. Default; Acceleration. The Maker shall be in default of this Note, and all principal and accrued interest thereon shall immediately become due and payable, without notice or demand, upon the occurrence of any of the following events: (a) failure to make prompt payment of any principal or interest installment due hereunder (or within such grace period as may be provided herein), (b) the failure of the Maker to observe or perform any of the other obligations to the Payee under this Note, and the same remains unremedied for a period of thirty (30) days after the date of notice thereof to the Maker by the Payee, (c) the occurrence of an Event of Default under the Loan Agreement or a default under the Guaranty of even date of Pennichuck Corporation (the "Guaranty") or (d) a default in any other obligation in excess of \$100,000 of the Maker to the Payee, whether now existing or hereinafter incurred.

If the Maker shall file a petition under any section of the Bankruptcy Code, shall make an assignment for the benefit of creditors, shall have a receiver appointed over its affairs who shall not be discharged within sixty (60) days from the date of appointment, or shall have filed against it a petition under a section of the Bankruptcy Code, or any debtor-creditor act, which petition shall not be dismissed within sixty (60) days of the date of filing of the same, then the balance of principal and interest remaining unpaid on this Note shall become due and payable forthwith without demand or notice.

6. Costs of Collection. If this Note is not paid in full when it becomes due, or if any payment required hereunder shall not be paid when due, or within such grace period as may be expressly provided herein, the Maker agrees to pay all costs and expenses of collection, including attorneys' fees, regardless of whether legal proceedings have been formally commenced.

7. Waiver of Presentment. The Maker hereby waives presentment, demand for payment, notice of dishonor, and all other notices or demands in connection with the delivery, acceptance, performance, default, or endorsement of this Note.

8. Non-Forfeiture of Rights. It is agreed and understood that the waiver by the Payee of any particular default in the terms of this Note shall not constitute waiver of any further default and that acceptance of any payment after it is due shall not be deemed a waiver of the right to require prompt payment when due on all other sums and that acceptance of any payment after default shall not cure said default or operate as a waiver of any rights of the Payee hereunder unless otherwise agreed in writing.

9. Payments, Notices. All payments due under this Note, and any notice required to be made hereunder shall be directed to the Payee or to the Maker, as the case may be, at the

addresses above specified, or such other address as the Payee and the Maker may hereafter direct, in writing.

10. Binding on Successors, Etc. The obligation of this Note shall be binding upon the heirs, successors and assigns of the Maker herein and shall inure to the benefit of the successors or assigns of the Payee herein or any holder hereof. Notwithstanding the preceding sentence, the Maker shall not assign this Note without the prior written consent of the Payee.

11. Gender. Whenever the content so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12. References. All references herein to the Loan Agreement and the Guaranty shall be construed to refer to such instruments as they may be amended from time to time.

13. Governing Law. The Note has been made in the State of New Hampshire, and the provisions hereof shall be governed by and construed in accordance with the laws of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

14. Jurisdiction. The Maker hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any rights of the Payee under this Note.

15. Guaranty. The Maker's obligations hereunder are guaranteed pursuant to the Guaranty.

EXECUTED as of the day and year first above written.

PENNICHUCK EAST UTILITY, INC.

Jessie A. Mylman
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: President

GUARANTY

THIS GUARANTY is made this 6th day of July, 2008, by Pennichuck Corporation with an address of 25 Manchester Street, P.O. Box 1947, Merrimack NH 03054-1947 ("Guarantor"), to and with the State of New Hampshire with an address of c/o Department of Environmental Services, 29 Hazen Drive, PO Box 95, Concord, New Hampshire 03302-0095 ("State").

WHEREAS, contemporaneously herewith, subject to certain terms and conditions, State has agreed to loan to Pennichuck East Utility, Inc. a New Hampshire corporation ("Borrower"), the principal sum of Five Hundred Ninety-Five Thousand Dollars (\$595,000), which is to be repaid with interest in accordance with the terms of a certain promissory note of even date issued by Borrower to State (the "Note") in said principal amount;

WHEREAS, Guarantor is the parent company of the Borrower owning 100% of Borrower's common stock;

WHEREAS, State has advised Guarantor that it will not engage in the aforesaid transactions unless, among other things, Guarantor guarantees all obligations of Borrower under the Note, including but not limited to the punctual payment of both principal and interest due and payable, as hereinafter set forth;

WHEREAS, Guarantor is willing and has agreed to guarantee the payment of the aforesaid obligations as hereinafter provided;

WHEREAS, Guarantor will benefit from the loan evidenced by the Note;

NOW THEREFORE, in order to induce State to engage in the aforesaid loan transaction and to make said loan to Borrower and in consideration of the premises stated above and for other good and valuable consideration, the receipt of which is hereby acknowledged, Guarantor agrees as follows:

1. Guarantor hereby unconditionally and irrevocably, guarantees: (i) the due and punctual payment in full (and not merely the collectability) of the principal of the Note and the interest thereon, when due and payable, according to the terms of the Note and the Loan Agreement of even date between State and Borrower (the "Loan Agreement"); (ii) the due and punctual payment in full (and not merely the collectability) of all other sums and charges which may at any time be due and payable in accordance with, or under the terms of the Note; (iii) the accuracy of the representations and warranties made by Borrower in the Loan Agreement, and certain affidavits and certificates delivered by Borrower to State on or about the date hereof and (iv) the due and punctual performance and observance of all of the other terms, covenants and conditions contained in the Note or the Loan Agreement (collectively, the "Guaranteed Obligations").

2. Guarantor expressly agrees that State may, in its sole and absolute discretion, without notice to or further assent of Guarantor, and without in any way releasing, affecting or

impairing the obligations and liabilities of Guarantor, hereunder: (i) waive compliance with, or any default under, or grant any other indulgences with respect to, the Note or the Loan Agreement; (ii) modify, amend or change any provisions of the Note (other than to increase the principal amount due under the Note); (iii) grant extensions or renewals of or with respect to the Note, and/or effect any release, compromise or settlement in connection therewith; (iv) make advances for the purpose of performing any term or covenant contained in the Note with respect to which Borrower shall be in default; (v) assign or otherwise transfer the Note, the Loan Agreement, or this Guaranty, or any interest therein; and (vi) deal in all respects with Borrower as if this Guaranty were not in effect. The obligations of Guarantor under this Guaranty shall be unconditional, irrespective of the genuineness, validity, regularity or enforceability of the Note or any security given therefor or in connection therewith or any other circumstances that might otherwise constitute a legal or equitable discharge of a surety or guarantor.

3. The liability of Guarantor under this Guaranty shall be primary, direct and immediate and not conditional or contingent upon pursuit by State of any remedies it may have against Borrower or any other party with respect to the Note, whether pursuant to the terms thereof or otherwise. No exercise or nonexercise by State of any right given to it under this Guaranty, the Note or the Loan Agreement, and no change, impairment or suspension of any right or remedy of State shall in any way affect any of Guarantor's obligations hereunder or give Guarantor any recourse against State. Without limiting the generality of the foregoing, State shall not be required to make any demand on Borrower and/or any other party, or otherwise pursue to exhaustion its remedies against Borrower or any other party, before, simultaneously with or after, enforcing its rights and remedies hereunder against Guarantor. Any one or more successive and/or concurrent actions may be brought hereon against Guarantor, either in the same action, if any, brought against Borrower and/or any other party, or in separate actions, as often as State, in its sole discretion, may deem advisable.

4. Guarantor hereby expressly waives: (i) presentment and demand for payment and protest of nonpayment; (ii) notice of acceptance of this Guaranty and of presentment, demand and protest; (iii) notice of any default hereunder or under the Note, this Guaranty and the Loan Agreement and of all indulgences; (iv) demand for observance or performance of, and enforcement of, any terms or provisions of this Guaranty, the Note, and the Loan Agreement; and (v) all other notices and demands otherwise required by law that Guarantor may lawfully waive.

5. Any claim against the Borrower or any guarantor to which Guarantor may be or become entitled (including, without limitation, claims by subrogation or otherwise by reason of any payment or performance by Guarantor in satisfaction and discharge, in whole or in part, of his obligations under this Guaranty) shall be and hereby is made subject and subordinate to the prior payment or performance in full of the Guaranteed Obligations. Nothing herein contained shall be construed to give Guarantor any right of subrogation in and to the rights of State under the Note or any instrument or agreement securing the Note until all amounts owing to State under the Note have been paid in full.

In addition to any other security given by Guarantor to State, State is hereby authorized and empowered, at its option, to appropriate and apply to the payment and extinguishment of the Guaranteed Obligations, at any time after such liability becomes payable, any and all moneys or

other property of Guarantor and any proceeds thereof (including proceeds of sales provided for below) now or hereafter in the possession of State for any purpose, including safekeeping or pledge for this or any other liability of Guarantor, and including any balance on deposit or otherwise for the account of, to the credit of, or belonging to Guarantor.

6. Any notice, demand, request or other communication given hereunder or in connection herewith (hereinafter "Notices") shall be deemed sufficient if in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive such Notice at its address first above set forth or at such other address as such party may hereafter designate by Notice given in like fashion. Notices shall be deemed given when mailed.

7. Any payments made by Guarantor under the provisions of this Guaranty shall, if made to State, be made at its address first set forth above, unless some other address is hereafter designated by State.

8. All rights and remedies afforded to State by reason of this Guaranty, the Note and the Loan Agreement, are separate and cumulative and the exercise of one shall not in any way limit or prejudice the exercise of any other such rights or remedies. No delay or omission by State in exercising any such right or remedy shall operate as a waiver thereof. No waiver of any rights and remedies hereunder, and no modification or amendment hereof, shall be deemed made by State unless in writing and duly executed. Any such written waiver shall apply only to the particular instance specified therein and shall not impair the further exercise of such right or remedy or of any other right or remedy of State, and no single or partial exercise of any right or remedy hereunder shall preclude further exercise of any other right or remedy.

9. The obligations of Guarantor to make payment in accordance with the terms of this Guaranty shall not be impaired, modified, changed, released, or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Borrower or its estate in bankruptcy or reorganization resulting from the operation of any present or future provision of federal bankruptcy laws or other statute or from the decision of any court.

10. Guarantor hereby covenants and agrees that Guarantor will, at Guarantor's expense, annually deliver to State within ninety (90) days of the end of each fiscal year audited financial statements of the Guarantor for such fiscal year in form and content satisfactory to State accurately reflecting all changes in net worth for the preceding year.

11. This Guaranty shall remain in full force and effect until State is given written notice of Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Guaranteed Obligations. No such notice shall be effective unless received and acknowledged by an officer of State at its head office or at the branch of State where this Guaranty is given. No such notice shall affect any rights of State or of any affiliate hereunder including, without limitation, the rights set forth in Sections 1, 2, 3, 5, and 8 with respect to Guaranteed Obligations incurred prior to the receipt of such notice or Guaranteed Obligations incurred pursuant to any contract or commitment in existence prior to such receipt. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect

to a Guaranteed Obligation is rescinded or must otherwise be returned by State upon the insolvency, bankruptcy or reorganization of Borrower, or otherwise, all as though such payment had not been made or value received.

12. Guarantor agrees that if this Guaranty shall be enforced by suit or otherwise, or if State shall exercise or endeavor to exercise any of its remedies under the Note, the Guarantor will reimburse State, upon demand, for all expenses incurred in connection therewith, including, without limitation, reasonable attorneys' fees.

13. This Guaranty has been made in the State of New Hampshire, and the provisions hereof shall be governed by and construed in accordance with the laws of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

14. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of Guarantor, as the case may be, and the successors and assigns of State. Notwithstanding the preceding sentence, Guarantor shall not be permitted to assign its rights and obligations hereunder without the prior written consent of State.

15. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and /or feminine gender, and the singular number shall include the plural.

16. If more than one person executes this Guaranty or if the Guarantor consists of more than one person or entity, all such persons and entities shall have joint and several liability.

17. Guarantor hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any rights of the State under this Guaranty.

18. All references herein to the Loan Agreement, the Note and this Guaranty shall be deemed to include such instruments as they may be amended from time to time.

19. If any provision or condition of this Guaranty is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Guaranty.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the day and year

first above written.

PENNICHUCK CORPORATION

James H. Myland
Witness

By: Donald L. Ware
Name: Donald L. Ware
Title: Senior Vice President, Operations



McLane, Graf,
Raulerson &
Middleton

Professional Association

11 SOUTH MAIN STREET, SUITE 500 • CONCORD, NH 03301
TELEPHONE (603) 226-0400 • FACSIMILE (603) 230-4448

July 28, 2008

OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH

Department of Environmental Services
State of New Hampshire
29 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

**Re: \$595,000 Loan ("Loan") from the State of New Hampshire ("State") to
Pennichuck East Utility, Inc. ("Borrower")**

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 4.(f) of the Loan Agreement dated July 28, 2008 (the "Loan Agreement"). Capitalized terms not otherwise defined in this letter are used as defined in the Loan Agreement. This firm acts as counsel to the Borrower and as counsel to Pennichuck Corporation (the "Guarantor"), and we have represented the Borrower in connection with the negotiation and preparation of the Loan Agreement. However, we represent the Borrower and the Guarantor only when requested and in connection with discrete matters, and there exist matters of a legal and factual nature with respect to the Borrower and to the Guarantor as to which we have not been consulted or provided representation.

In preparation of this opinion we have examined (1) the Loan Agreement; (2) the Promissory Note; (3) the Guaranty; (4) the RSA 399 B Disclosure; (5) the Articles of Incorporation and Bylaws of the Borrower; (6) a certificate of the Borrower's existence from the New Hampshire Secretary of State dated May 2, 2008; (7) the Articles of Incorporation and Bylaws of the Guarantor; (8) a certificate of the Guarantor's existence from the New Hampshire Secretary of State dated May 21, 2008; (9) such minutes of the meetings of the Board of Directors of the Borrower as we deemed necessary; (10) such minutes of the meetings of the Board of Directors of the Guarantor as we deemed necessary; (11) the Order of the New Hampshire Public Utilities Commission ("NHPUC") dated April 4, 2008, a copy of which is attached hereto as Schedule A (the "Order"); and (12) such other documents and items as we deemed necessary for the purposes of this opinion.

We have discussed the Loan Agreement, the Promissory Note, and the Guaranty (collectively, the "Agreements") and the representations and warranties by the Borrower and the

Guarantor contained therein with the Senior Vice President, Operations of the Borrower and the President of the Guarantor (Mr. Donald L. Ware) and relied, with respect to matters of fact, upon information furnished by the Borrower and the Guarantor. We have assumed without independent verification that the information furnished by the Borrower and the Guarantor is accurate, although nothing has come to our attention which would suggest that any such certificate, warranty, representation, or information is inaccurate or incomplete in any material respect. We have not conducted any independent outside review of agreements, contracts, indentures, instruments, orders, judgments, rules, regulations, writs, injunctions or decrees by which the Borrower or the Guarantor any of their property may be bound, nor, except as noted above, have we made any outside independent investigation as to the existence of actions, suits, investigations or proceedings, if any, pending or threatened against the Borrower or the Guarantor. We have not generally reviewed the financial books or records of the Borrower (or any of its subsidiaries), including the Guarantor and, unless expressly stated, do not express any opinion as to financial or tax matters or compliance with tax laws.

In all our examinations, we have assumed the genuineness of all signatures, other than the signatures of the Borrower and the Guarantor on the Agreements, the authenticity of all documents purporting to be originals, and the conformity to the originals of all documents submitted to us as conformed or photostatic copies, which facts we have not independently verified. We have assumed, and we have no information to the contrary, that the minutes of the meetings of the Board of Directors of the Borrower and of the Guarantor accurately reflect the actions taken at those meetings, that the meetings were duly called, that a quorum was present in each case, and, where action at those meetings related to the offer or issuance of capital stock, that the offer or issuance was carried out in the manner authorized or directed by the minutes. We have also assumed, and we have no information to the contrary, that the information contained in the documents we have reviewed is accurate, and we have not independently verified such information.

We have also assumed that the transactions contemplated by the Loan Agreement have been duly authorized by each of the parties to it other than the Borrower and Guarantor, that each of the Agreements has been duly executed and delivered by each of the other parties to them, that each of the other parties has the power and authority to execute and deliver each of the Agreements, and that each constitutes a legal, valid and binding agreement of each of the other parties, subject, if at all, to the Enforceability Qualification defined below.

We are members of the Bar of the State of New Hampshire, and we express no opinion as to matters involving the laws of any jurisdiction other than the State of New Hampshire and the United States of America. This opinion is limited to the effect of the laws (including administrative and judicial interpretations) of the State of New Hampshire and the United States, as they existed on the date of this letter and to the facts bearing upon the opinions below as they existed on the date of this letter, and we expressly disclaim any obligation or undertaking to update or modify the opinions below as a consequence of any future changes in the applicable laws or in the facts bearing upon those opinions.

Based on the foregoing, we are of the opinion that:

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New Hampshire.

2. The Borrower has all requisite power and authority to own and operate its properties and to carry on its business as, to our knowledge, it is now conducted and presently proposed to be conducted, to enter into the Agreements to which it is a party and to perform its obligations under the Agreements to which it is a party.

3. Each of the Agreements to which the Borrower is a party has been duly authorized by all necessary corporate action on the part of the Borrower, has been duly executed and delivered by the Borrower, and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to the General Qualifications as defined in the American Bar Association Section of Business Legal Opinion Accord (1991)(the "Enforceability Qualification").

4. The Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New Hampshire.

5. The Guarantor has all requisite power and authority to own and operate its properties and to carry on its business as, to our knowledge, it is now conducted and presently proposed to be conducted, to enter into the Agreements to which it is a party and to perform its obligations under the Agreements to which it is a party.

6. Each of the Agreements to which the Guarantor is a party has been duly authorized by all necessary corporate action on the part of the Guarantor, has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, subject to the Enforceability Qualification.

7. Neither the execution, delivery or performance of the Agreements to which the Borrower is a party, the consummation of the transactions contemplated in the Agreements to which the Borrower is a party, nor the fulfillment of their terms by the Borrower, will (a) conflict with or violate the Articles of Incorporation or the Bylaws of the Borrower, as presently in effect, or (b), to our knowledge, conflict with, violate, constitute a default under, or result in the creation or imposition of any lien upon any of the properties or assets of the Borrower under the terms of any indenture, mortgage, deed of trust, credit agreement, preferred stock agreement, franchise or other agreement or instrument to which the Borrower is now a party or by which the Borrower is bound by succession or otherwise.

8. Neither the execution, delivery or performance of the Agreements to which the Guarantor is a party, the consummation of the transactions contemplated in the Agreements to which the Guarantor is a party, nor the fulfillment of their terms by the Borrower, will (a)

conflict with or violate the Articles of Incorporation or the Bylaws of the Borrower, as presently in effect, or (b), to our knowledge, conflict with, violate, constitute a default under, or result in the creation or imposition of any lien upon any of the properties or assets of the Guarantor under the terms of any indenture, mortgage, deed of trust, credit agreement, preferred stock agreement, franchise or other agreement or instrument to which the Guarantor is now a party or by which the Guarantor is bound by succession or otherwise.

9. To our knowledge, there is no action at law, suit in equity or other proceeding or investigation in any court or by or before any other governmental or public authority or agency or any arbitrator against or affecting, or threatened against, the Borrower or the Guarantor, and which, either individually or in the aggregate, if determined adversely, would materially and adversely affect the business, prospects, profits, properties or condition of the Borrower or the Guarantor, except litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Guarantor or its subsidiaries. On July 25, 2008 the NHPUC issued an order indicating that the City of Nashua has the authority to exercise such eminent domain powers. The practical effect of this order is not known as of this date.

10. All necessary approvals from the NHPUC for the execution, delivery and performance of the Agreements have been obtained, and the Borrower's and the Guarantor's entrance to and performance of their respective obligations under the Agreements do not require any consent or approval of, or withholding of objection by, any other governmental body or regulatory authority, federal or state.

The above opinions are solely for the benefit of the party to whom this letter is addressed in connection with the Loan of the Borrower pursuant to the Loan Agreement, and this letter is not to be quoted or otherwise referred to nor furnished to any other person, without our prior written consent. No person other than you shall be entitled to rely on the opinions expressed in this letter:

McLANE, GRAF, RAULERSON & MIDDLETON
PROFESSIONAL ASSOCIATION

By:  _____

SCHEDULE A

See Order Nisi, attached.

REVISED opinion letter.DOC
July 29, 2008 11:05:04 AM

RECEIVED

APR 09 2008

Steven V. Camerino

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 08-022

PENNICHUCK EAST UTILITY, INC.

Petition for Authority to Issue Long Term Debt

Order *Nisi* Approving Petition

ORDER NO. 24,844

April 4, 2008

I. BACKGROUND

On February 19, 2008, Pennichuck East Utility, Inc. (PEU) filed a petition with the Commission seeking authority to borrow up to \$595,000 in long term debt, pursuant to RSA 369. In support of its petition, PEU filed the direct testimony of Donald L. Ware, President of PEU, and William D. Patterson, Senior Vice President, Treasurer, and Chief Financial Officer of Pennichuck Corporation, PEU's parent company. PEU proposes to borrow from the State Revolving Loan Fund (SRF) administered by the Department of Environmental Services (DES) in order to undertake certain capital improvements at its Maple Hills community water system (Maple Hills) in the Town of Derry.

Maple Hills is a community water system that serves 182 single-family homes. The system is nearly 40 years old and its components are nearing the end of their useful lives. Currently PEU relies on two wells, four atmospheric tanks, and two hydropneumatic tanks to produce adequate water supply for its customers at Maple Hills. PEU treats the water to remove radon and sulfides, however, iron and manganese presently exceed the secondary Safe Drinking Water Act (SDWA) standards, and PEU needs to address treatment for both. PEU evaluated two options for repairing the water system and remedying water quality concerns. The first option

was to continue with on-site supply, treatment, and storage, and replace the existing storage and hydropneumatic tanks, expand water treatment, construct a new water station to house the pumps and treatment systems, and install a new emergency generator. PEU indicates the capital costs for this option would be approximately \$950,000, with annual operating cost of about \$103,000.

The second option was to construct an interconnection with, and purchase water from, the Town of Derry Water Department. PEU indicates that it currently purchases water from Derry at two other locations. In this option, PEU would install about 1,240 lineal feet of 6" water main and a small booster station with emergency power. PEU would pay for purchased water at the Town of Derry's tariffed rate. The estimated capital cost of this option is \$593,985 with an estimated annual operating cost of \$86,858.

PEU qualifies for SRF funds which would be at an annual interest rate not to exceed 3.488% over a 20-year term. DES will make disbursements on the loan based on invoices submitted by contractors engaged by PEU. Interest will be applied to outstanding balances at an annual rate of 1% until the improvements are substantially completed and payments of principal and interest will begin six months thereafter.

On March 27, 2008, Commission Staff filed a letter recommending the Commission approve PEU's financing request. Staff indicated that it had reviewed PEU's petition and had undertaken discovery with respect to the issues raised in the petition. In particular, Staff evaluated the two options considered by PEU for the needed capital improvements at the Maple Hills system and concurred with PEU's choice of the option of interconnecting with the Town of Derry. Staff indicated that this option is the least cost option in terms of capital needed and operating cost.

II. COMMISSION ANALYSIS

Pursuant to RSA 369:1, public utilities engaged in business in this State may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be consistent with the public good. Analysis of the public good consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to ensure the public good is protected. See *Appeal of Easton*, 125 N.H. 205 (1984).

In the case at hand, PEU has requested authorization to borrow funds in an amount up to \$595,000 to complete a capital project at its Maple Hills community system in Derry. PEU proposes to enter into a 20-year State Revolving Loan through the DES at an interest rate not expected to exceed 3.488 percent annually. PEU will use these funds to install water main and a booster station with emergency power in order to purchase water from the Town of Derry. PEU states that the assets currently in service at Maple Hills, including wells, storage tanks, and hydropneumatic tanks, are approaching 40 years old and are nearing the end of their useful lives. If PEU continued to use these assets, it would need to add treatment to remove iron and manganese. PEU has examined the option of new on-site storage and treatment systems, as well as a new community water station, and compared it to the option of interconnecting with the Town of Derry for purchased water. It is clear that interconnecting with Derry for purchased water is the least cost option.

After review of PEU's filing, as well as Staff's recommendation, we are satisfied that the proposed project is reasonably necessary to provide safe and adequate service to customers. Our review of the petition must also consider the possible effect the proposed financing may have on

the overall cost of capital to ratepayers. SRF financing is among the lowest rate financing a water utility can access. PEU's loan under the SRF program will be for a 20-year term, will be issued at an interest rate not expected to exceed 3.488% annually, and interest will accrue during construction at a rate of just 1%. We are satisfied that this financing, in addition to the needed capital improvements at PEU's Maple Hills system, will benefit PEU's ratepayers and is consistent with the public good.

Lastly, we direct PEU to file executed copies of its loan documents when the loan is consummated. We will approve the SRF financing authority requested on the condition that the final terms are substantially similar to those proposed in the initial filing. If such terms vary significantly, we will require PEU to seek Commission approval.

Based upon the foregoing, it is hereby

ORDERED *Nisi*, that subject to the effective date below, the request to undertake the financing proposed, under the terms and conditions contained in Pennichuck East Utility, Inc.'s petition and as finally set forth by the Department of Environmental Services in the final loan documents, and for the purpose as outlined herein, is hereby APPROVED; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than April 14, 2008 and to be documented by affidavit filed with this office on or before May 5, 2008; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states

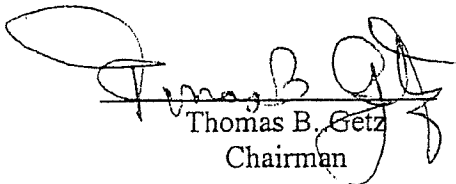
the reason and basis for a hearing no later than April 21, 2008 for the Commission's consideration; and it is

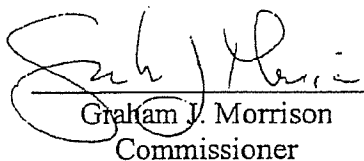
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 28, 2008; and it is

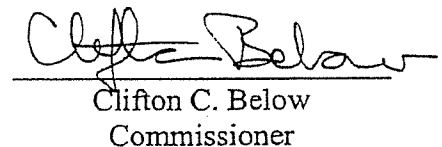
FURTHER ORDERED, that this Order *Nisi* shall be effective May 5, 2008, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall file with the Commission true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transaction contemplated herein.

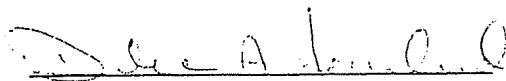
By order of the Public Utilities Commission of New Hampshire this fourth day of April, 2008.


Thomas B. Getz
Chairman


Graham J. Morrison
Commissioner


Clifton C. Below
Commissioner

Attested by:


Debra A. Howland
Executive Director & Secretary

SECRETARY'S CERTIFICATE

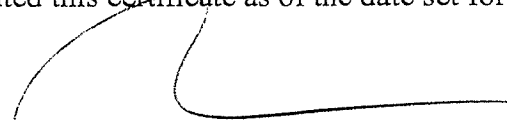
PENNICHUCK EAST UTILITY, INC.

I, Richard A. Samuels, being the duly elected Secretary of PENNICHUCK EAST UTILITY, INC., a New Hampshire corporation (the "Corporation"), hereby certify that:

- (i) Attached hereto as Exhibit A is a true and correct copy of a certain resolution duly adopted by the Board of Directors of the Corporation by unanimous written consent effective March 10, 2008, and that such resolution is in conformity with the Articles of Incorporation and the Bylaws of the Corporation (each as amended to date) and such resolution has not been rescinded or modified, and is in full force and effect, as of the date hereof.
- (ii) Attached hereto as Exhibit B is a true and correct copy of the Articles of Incorporation of the Corporation in full force and effect as of the date hereof.
- (iii) Attached hereto as Exhibit C is a true and correct copy of the Bylaws of the Corporation in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of the date set forth below.

Dated: July 22, 2008



Richard A. Samuels, Secretary

EXHIBIT A

VOTED: To authorize and approve an agreement between the Corporation and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which the Corporation will borrow up to Five Hundred Ninety Five Thousand Dollars (\$595,000.00) at then current SRF rates of interest for the purpose of funding upgrades to its Maple Hills Community Water System in Derry, New Hampshire.

EXHIBIT B

Articles of Incorporation

See attached.

**ARTICLES OF INCORPORATION
OF
PENNICHUCK EAST UTILITY, INC.**

FILED
JAN 22 1998
WILLIAM L. JONES
NEW HAMPSHIRE
SECRETARY OF STATE

THE UNDERSIGNED, ACTING AS THE INCORPORATOR OF A CORPORATION UNDER THE NEW HAMPSHIRE BUSINESS CORPORATION ACT (RSA CHAPTER 293-A), ADOPTS THE FOLLOWING ARTICLES OF INCORPORATION FOR SUCH CORPORATION:

ARTICLE I

The name of the Corporation is Pennichuck East Utility, Inc..

ARTICLE II

The street address of the Corporation's initial registered office is Four Water Street, Nashua, New Hampshire 03061, and the name of its initial registered agent at that office is Maurice L. Arel.

ARTICLE III

The Corporation is empowered to transact any and all lawful business for which a corporation may be incorporated under New Hampshire RSA Chapter 293-A, as such chapter now exists or is amended hereafter, or under any successor statute. The principal purpose for which the Corporation is organized is to own, operate and manage a water utility system for certain residents of the State of New Hampshire, and to supply water to such other persons and for such other uses as the Corporation may from time to time determine.

ARTICLE IV

The aggregate number of shares of capital stock that the Corporation is authorized to issue is One Hundred (100) shares having a par value of \$1.00 per share, all of which shall be common stock having unlimited voting rights. The capital stock of the Corporation shall be sold or offered for sale within the meaning of the New Hampshire Uniform Securities Act (RSA Chapter 421-B).

ARTICLE V

The shareholders of the Corporation do not have a preemptive right to acquire the Corporation's unissued shares of capital stock.

ARTICLE VI

No Director or officer shall be liable to the Corporation or any shareholder for money damages for any action taken, or any failure to take any action, except liability for:

1. The amount of a financial benefit received by a Director or officer to which the Director or officer is not entitled;
2. An intentional infliction of harm on the Corporation or its shareholders;
3. A violation of RSA 293-A:8.33; or
4. An intentional violation of criminal law.

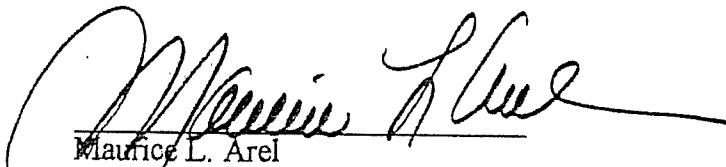
If the New Hampshire Business Corporation Act, or any successor statute, is amended after the filing of these Articles of Incorporation to authorize corporate action further eliminating or limiting the personal liability of the Directors or officers of the Corporation, then the liability of the Directors and officers of the Corporation shall be eliminated or limited to the fullest extent permitted by such amendment. Any repeal or modification of this Article by the shareholders of the Corporation shall not adversely affect any right or protection of a Director or officer of the Corporation existing at the time of such repeal or modification.

ARTICLE VII

The name and address of the incorporator is:

Maurice L. Arel, Four Water Street, Nashua, New Hampshire, 03061.

Dated: January 20, 1998


Maurice L. Arel
Sole Incorporator

FILED

JAN 22 1998

WILLIAM D. DARNER

NEW HAMPSHIRE

ARTICLES OF INCORPORATION
OF
PENNICHUCK EAST UTILITY, INC.

THE UNDERSIGNED, ACTING AS THE INCORPORATOR OF A CORPORATION UNDER THE NEW HAMPSHIRE BUSINESS CORPORATION ACT (RSA CHAPTER 293-A), ADOPTS THE FOLLOWING ARTICLES OF INCORPORATION FOR SUCH CORPORATION:

ARTICLE I

The name of the Corporation is Pennichuck East Utility, Inc..

ARTICLE II

The street address of the Corporation's initial registered office is Four Water Street, Nashua, New Hampshire 03061, and the name of its initial registered agent at that office is Maurice L. Arel.

ARTICLE III

The Corporation is empowered to transact any and all lawful business for which a corporation may be incorporated under New Hampshire RSA Chapter 293-A; as such chapter now exists or is amended hereafter, or under any successor statute. The principal purpose for which the Corporation is organized is to own, operate and manage a water utility system for certain residents of the State of New Hampshire, and to supply water to such other persons and for such other uses as the Corporation may from time to time determine.

ARTICLE IV

The aggregate number of shares of capital stock that the Corporation is authorized to issue is One Hundred (100) shares having a par value of \$1.00 per share, all of which shall be common stock having unlimited voting rights. The capital stock of the Corporation shall be sold or offered for sale within the meaning of the New Hampshire Uniform Securities Act (RSA Chapter 421-B).

ARTICLE V

The shareholders of the Corporation do not have a preemptive right to acquire the Corporation's unissued shares of capital stock.

Page 2

ARTICLE VI

No Director or officer shall be liable to the Corporation or any shareholder for money damages for any action taken, or any failure to take any action, except liability for:

1. The amount of a financial benefit received by a Director or officer to which the Director or officer is not entitled;
2. An intentional infliction of harm on the Corporation or its shareholders;
3. A violation of RSA 293-A:8.33; or
4. An intentional violation of criminal law.

If the New Hampshire Business Corporation Act, or any successor statute, is amended after the filing of these Articles of Incorporation to authorize corporate action further eliminating or limiting the personal liability of the Directors or officers of the Corporation, then the liability of the Directors and officers of the Corporation shall be eliminated or limited to the fullest extent permitted by such amendment. Any repeal or modification of this Article by the shareholders of the Corporation shall not adversely affect any right or protection of a Director or officer of the Corporation existing at the time of such repeal or modification.

ARTICLE VII

The name and address of the incorporator is:

Maurice L. Arel, Four Water Street, Nashua, New Hampshire, 03061.

Dated: January 20, 1998



Maurice L. Arel
Sole Incorporator

EXHIBIT C

Bylaws

See attached.

2266058_1.DOC
July 22, 2008 10:58:36 AM

BYLAWS
OF
PENNICHUCK EAST UTILITY, INC.

ARTICLE I

OFFICES

1.1 **Business Office.** The principal office of the Corporation shall be located at any place either within or outside the State of New Hampshire as designated in the Corporation's most current Annual Report filed with the State of New Hampshire Secretary of State. The Corporation may have such other offices, either within or without the State of New Hampshire as the Board of Directors may designate or as the business of the Corporation may require from time to time. The Corporation shall maintain at its principal office a copy of certain records, as specified in Section 2.14 of these Bylaws.

1.2 **Registered Office.** The registered office of the Corporation required by the New Hampshire Business Corporation Act, RSA Chapter 293-A ("Act"), shall be located within the State of New Hampshire as designated in the Corporation's most current Annual Report filed with the State of New Hampshire Secretary of State and may be, but need not be, identical with the principal office (if located within the State of New Hampshire). The address of the registered office may be changed from time to time.

ARTICLE II

SHAREHOLDERS

2.1 **Annual Shareholder Meeting.** The annual meeting of the shareholders shall be held at such time within 120 days of the end of the fiscal year of the Corporation as shall be fixed by the Board of Directors, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting.

If the election of Directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any subsequent continuation after adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as convenient.

2.2 **Special Shareholder Meetings.** Special meetings of the shareholders, for any purpose or purposes, described in the meeting notice, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all outstanding votes of the Corporation entitled to be cast on any issue at the meeting.

2.3 **Place of Shareholder Meeting.** The Board of Directors may designate any place within or without the State of New Hampshire as the place of meeting for any

Bylaws of Pennichuck East Utility, Inc.

Page 2

annual or special meeting of the shareholders. If no designation is made, the place of meeting shall be the principal office of the Corporation in the State of New Hampshire.

2.4 Notice of Shareholder Meeting.

(a) Required Notice. Written notice stating the place, day and hour of any annual or special shareholder meeting shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President or the Board of Directors to each shareholder of record entitled to vote at such meeting and to any other shareholder entitled by the Act to receive notice of the meeting. Notice shall be deemed to be effective at the earlier of: (1) when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid; (2) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; (3) when received; or (4) five days after deposit in the United States mail, if mailed postpaid and correctly addressed to an address other than that shown in the Corporation's current record of shareholders.

(b) Adjourned Meeting. If any shareholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. But if a new record date for the adjourned meeting is, or must be fixed, in accordance with Section 2.5, then notice must be given pursuant to the requirements of Paragraph (a) of this Section 2.4 to those persons who are shareholders as of the new record date.

(c) Waiver of Notice. A shareholder may waive notice of the meeting by a writing signed by the shareholder entitled to the notice, which is delivered to the Corporation (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the corporate records.

Bylaws of Pennichuck East Utility, Inc.

Page 3

A shareholder's attendance at a meeting:

- (1) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and
- (2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

(d) Contents of Notice. The notice of each special shareholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as provided in this Section 2.4(d) or otherwise in the Act, the notice of an annual shareholder meeting need not include a description of the purpose or purposes for which the meeting is called.

If a purpose of any shareholder meeting is to consider either: (1) a proposed amendment to the Articles of Incorporation (including any restated Articles requiring shareholder approval), (2) a plan of merger or share exchange, (3) the sale, lease, exchange or other disposition of all, or substantially all of the Corporation's property, (4) the dissolution of the Corporation, or (5) the removal of a Director, the notice must so state and be accompanied by respectively a copy or summary of: (1) the articles of amendment; (2) the plan of merger or share exchange; and (3) the transaction for disposition of all the Corporation's property. If the proposed corporate action creates dissenters' rights, the notice must state that shareholders are, or may be, entitled to assert dissenters' rights, and must be accompanied by a copy of Section 13 of the Act. If the Corporation issues, or authorizes the issuance of shares for promissory notes or for promises to render services in the future, the Corporation shall report in writing to all of the shareholders the number of shares authorized or issued, and the consideration received, with or before the notice of the next shareholder meeting. Likewise, if the Corporation indemnifies or advances expenses to a Director, this action shall be reported to all the shareholders with or before notice of the next shareholder meeting (as provided in RSA 293-A:16.21).

2.5 Fixing of Record Date. For the purpose of determining shareholders of any voting group entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive payment of any distribution or dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a date as the record date. Such record date shall not be more than 70 days prior to the date on which the particular action, requiring such determination of shareholders, is

Bylaws of Pennichuck East Utility, Inc.

Page 4

to be taken. If no record date is so fixed by the Board for the determination of shareholders entitled to notice of, or to vote at a meeting of shareholders, or shareholders entitled to receive a share dividend or distribution, the record date for determination of such shareholders shall be at the close of business on:

(a) With respect to an annual shareholder meeting or any special shareholder meeting called by the President or by the Board, the day before the first notice is delivered to shareholders;

(b) With respect to a special shareholder meeting demanded by the shareholders, the date the first shareholder signs the demand;

(c) With respect to the payment of a share dividend, the date the Board authorizes the share dividend;

(d) With respect to actions taken in writing without a meeting (pursuant to Section 2.12), the date the first shareholder signs a consent; and

(e) With respect to a distribution to shareholders, (other than one involving a repurchase or reacquisition of shares), the date the Board authorizes the distribution.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof unless the Board of Directors fixes a new record date. The Board shall be required to fix a new record date if the meeting is adjourned to a date more than 120 days after the date set for the original meeting.

2.6 Shareholder List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall maintain a complete record of the shareholders entitled to vote at each meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The shareholder list shall be maintained at the Corporation's principal office and shall be available for inspection by any shareholder, subject to the provisions of Section 2.14. The Corporation shall maintain the shareholder list in written form or in another form capable of conversion into written form within a reasonable time.

After fixing a record date for a meeting of shareholders, the Corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of a shareholders' meeting. The list shall be arranged by voting group, if any, and within each voting group by class or series of shares, and show the address of and the number of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the

Bylaws of Pennichuck East Utility, Inc.

Page 5

Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent, or attorney is entitled on written demand to inspect and, subject to the requirements of Section 2.14, to copy the list, during regular business hours and at his or her expense, during the period it is available for inspection. The Corporation shall make the shareholders' list available at the meeting of shareholders, and any shareholder, his agent, or attorney is entitled to inspect the list at any time during the meeting or any adjournment thereof.

2.7 Shareholder Quorum and Voting Requirements. If the Articles of Incorporation or the Act provides for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group.

Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those share exists with respect to that matter. Unless the Articles of Incorporation, a Bylaw adopted pursuant to Section 2.8, or the Act provide otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

If the Articles of Incorporation or the Act provide for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately. Action may be taken by one voting group on a matter even though no action is taken by another voting group entitled to vote on the matter.

Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

If a quorum exists, action on a matter (other than the election of Directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, a bylaw adopted pursuant to Section 2.8, or the Act require a greater number of affirmative votes.

2.8 Increasing Either Quorum or Voting Requirements. For purposes of this Section 2.8 a "supermajority" quorum is a requirement that more than a majority of the votes of the voting group be present to constitute a quorum; and a "supermajority" voting requirement is any requirement that requires the vote of more than a majority of the affirmative votes of a voting group at a meeting.

Except as otherwise provided in the Articles of Incorporation, the shareholders of any class or series of capital stock may adopt, amend, or delete a Bylaw which fixes a "supermajority" quorum or "supermajority" voting requirement for that class or series of capital stock.

Bylaws of Pennichuck East Utility, Inc.

Page 6

The adoption or amendment of a Bylaw that adds, changes, or deletes a "supermajority" quorum or voting requirement for any class or series of capital stock must meet the same quorum requirement and be adopted by the same vote and voting groups required to take action under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.

A Bylaw that fixes a supermajority quorum or voting requirement for shareholders may not be adopted, amended or repealed by the Board of Directors.

2.9 **Proxies.** At all meetings of shareholders, a shareholder may vote in person, or vote by proxy which is executed in writing by the shareholder or which is executed by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation or other person authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

2.10 **Voting of Shares.** Unless otherwise provided in the Articles of Incorporation, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

Except as provided by specific court order, no shares held by another corporation, if a majority of the shares entitled to vote for the election of Directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting. Provided, however, the prior sentence shall not limit the power of the Corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

Redeemable shares are not entitled to vote after notice of redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

2.11 **Corporation's Acceptance of Votes.**

(a) If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the Corporation if acting in good faith is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder.

(b) If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its shareholder, the Corporation if acting in good faith is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if:

Bylaws of Pennichuck East Utility, Inc.

Page 7

- (1) the shareholder is an entity as defined in the Act and the name signed purports to be that of an officer or agent of the entity;
- (2) the name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the Corporation requests, evidence of fiduciary status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
- (3) the name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the Corporation requests, evidence of this status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
- (4) the name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment; or
- (5) two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

(c) The Corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

(d) The Corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this Section 2.11 are not liable in damages to the shareholder for the consequences of the acceptance or rejection.

(e) Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this Section 2.11 is valid unless a court of competent jurisdiction determines otherwise.

2.12 Informal Action by Shareholders. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if one or more

Bylaws of Pennichuck East Utility, Inc.

Page 8

consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof are delivered to the Corporation for inclusion in the minute book. If the act to be taken requires that notice be given to non-voting shareholders, the Corporation shall give the non-voting shareholders written notice of the proposed action at least 10 days before the action is taken, which notice shall contain or be accompanied by the same material that would have been required if a formal meeting had been called to consider the action. A consent signed under this Section 2.12 has the effect of a meeting vote and may be described as such in any document.

2.13 Voting for Directors. Unless otherwise provided in the Articles of Incorporation, Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

2.14 Corporate Records; Shareholder's Right to Inspect Corporate Records.

(a) Minutes and Accounting Records. The Corporation shall keep as permanent records: minutes of all meetings of its shareholders and Board of Directors; a record of all actions taken by its shareholders and Board of Directors without a meeting; and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors. The Corporation shall maintain appropriate accounting records.

(b) Absolute Inspection Rights of Records Required at Principal Office. If a shareholder gives the Corporation written notice of his demand at least five business days before the date on which he wishes to inspect and copy, the shareholder (or his or her agent or attorney) has the right to inspect and copy, during regular business hours any of the following records, all of which the Corporation is required to keep at its principal office:

- (1) its Articles or Restated Articles of Incorporation and all amendments to them currently in effect;
- (2) its Bylaws or Restated Bylaws and all amendments to them currently in effect;
- (3) resolutions adopted by its Board of Directors creating one or more classes or series of shares, and fixing their relative rights, preferences, and limitations, if shares issued pursuant to those resolutions are outstanding;
- (4) the minutes of all shareholders meetings, and records of all action taken by shareholders without a meeting, for the past three years;

Bylaws of Pennichuck East Utility, Inc.

Page 9

- (5) all written communications to shareholders generally within the past three years, including the financial statement furnished for the past three years to the shareholders;
- (6) a list of the names and business addresses of its current Directors and officers; and
- (7) its most recent annual report delivered to the Secretary of State.

(c) Conditional Inspection Right. In addition, if a shareholder gives the Corporation a written demand made in good faith and for a proper purpose at least five business days before the date on which he or she wishes to inspect and copy a corporate record, he or she describes with reasonable particularity his or her purpose and the records he or she desires to inspect, and the records are directly connected with his or her purpose, the shareholder (or his agent or attorney) is entitled to inspect and copy, during regular business hours at a reasonable location specified by the Corporation, any of the following records of the Corporation:

- (1) excerpts from minutes of any meeting of the Board of Directors, records of any action of a committee of the Board of Directors, minutes of any meeting of the shareholders, and records of action taken by the shareholders or Board of Directors without a meeting, to the extent not subject to inspection under paragraph (a) of this Section 2.14;
- (2) accounting records of the Corporation; and
- (3) the list of shareholders (compiled no earlier than the date of the shareholder's demand).

(d) Copy Costs. The right to copy records includes, if reasonable, the right to receive copies made by photographic or other means. The Corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder. The charge may not exceed the estimated cost of production or reproduction of the records.

(e) Shareholder Includes Beneficial Owner. For purposes of this Section 2.14, the term "shareholder" shall include a beneficial owner whose shares are held in a voting trust or by a nominee on his or her behalf.

2.15 Financial Statements; Fiscal Year.

Bylaws of Pennichuck East Utility, Inc.

Page 10

(a) The Corporation shall furnish its shareholders annual financial statements, which may be consolidated or combined statements of the Corporation and one or more of its subsidiaries, as appropriate, that include a balance sheet as of the end of the fiscal year, an income statement for that year, and a statement of changes in shareholders' equity for the year unless that information appears elsewhere in the financial statements. If financial statements of the Corporation are prepared on the basis of generally accepted accounting principles, the annual financial statements for the shareholders also must be prepared on that basis.

(b) Except as otherwise required by the shareholders, if the annual financial statements are reported upon by a public accountant, its report must accompany them; and if not, the statements must be accompanied by a statement of the President or the person responsible for the Corporation's accounting records:

- (1) stating his or her reasonable belief whether the statements were prepared on the basis of generally accepted accounting principles and, if not, describing the basis of preparation; and
- (2) describing any respects in which the statements were not prepared on a basis of accounting consistent with the statements prepared for the preceding year.

(c) The Corporation shall furnish the annual financial statements to each shareholder within 120 days after the close of each fiscal year. Thereafter, on written request from a shareholder who was not furnished the statements, the Corporation shall furnish him or her the latest financial statements.

(d) The fiscal year of the Corporation shall be the calendar year.

2.16 **Dissenters' Rights**. Each shareholder shall have the right to dissent from and obtain payment for his shares when so authorized by, and in accordance with the procedures set forth in, the Act.

Bylaws of Pennichuck East Utility, Inc.

Page 11

ARTICLE III

BOARD OF DIRECTORS

3.1 **General Powers.** All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors.

3.2 **Number, Tenure, and Qualifications of Directors.** The number of Directors of the Corporation shall be established by the shareholders at each annual meeting of the shareholders or by the Board of Directors in accordance with the requirements of the Act. Each Director shall hold office until the next annual meeting of shareholders or until removed. However, if his or her term expires, he or she shall continue to serve until his or her successor shall have been elected and qualified or until there is a decrease in the number of Directors. Directors are not required to be residents of the State of New Hampshire or shareholders of the Corporation.

3.3 **Regular Meetings of the Board of Directors.** A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place for the holding of regular meetings without other notice than such resolution. All meetings shall be held at the principal place of business of the Corporation unless notice of another location is given. If so permitted by Section 3.7, any such regular meeting may be held by telephone.

3.4 **Special Meetings of the Board of Directors.** Special meetings of the Board of Directors may be called by or at the request of the President or any one of the Directors. If permitted by Section 3.7, such meeting may be held by telephone.

3.5 **Notice of, and Waiver of Notice for, Special Director Meetings.** Notice of any special Director meeting shall be given at least two days previously thereto either orally or in writing. If mailed, notice of any Director meeting shall be deemed to be effective at the earlier of: (1) when received; (2) five days after deposited in the United States mail, addressed to the Director's business office, with postage thereon prepaid; or (3) the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the Director. Any Director may waive notice of any meeting, in writing, before or after the date and time of the meeting stated in the notice, such waiver to be filed with the minutes of the Board of Directors. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly on his arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting.

Bylaws of Pennichuck East Utility, Inc.

Page 12

3.6 **Director Quorum.** A majority of the number of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, unless a supermajority is required pursuant to the provisions of Section 3.8.

3.7 **Directors, Manner of Acting.** The act of the majority of the Directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board of Directors unless a supermajority is required pursuant to the provisions of Section 3.8.

Unless the Articles of Incorporation provide otherwise, any or all Directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all Directors participating may simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

A Director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (1) he or she objects at the beginning of the meeting (or promptly upon his or her arrival) to holding it or transacting business at the meeting; or (2) his or her dissent or abstention from the action taken is entered in the minutes of the meeting; or (3) he or she delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a Director who votes in favor of the action taken.

3.8 **Establishing a "Supermajority" Quorum or Voting Requirement for the Board of Directors.** For purposes of this Section 3.8, a "supermajority" quorum is a requirement that more than a majority of the Directors in office constitute a quorum; and a "supermajority" voting requirement is any requirement that requires the vote of more than a majority of those Directors present at a meeting at which a quorum is present to be the act of the Directors.

A Bylaw that fixes a supermajority quorum or supermajority voting requirement may be amended or repealed:

- (1) if originally adopted by the shareholders, only by the shareholders;
- (2) if originally adopted by the Board of Directors, either by the shareholders or the Board of Directors.

The adoption or amendment of a Bylaw that adds, changes, or deletes a "supermajority" quorum or voting requirement for the Board of Directors must meet the same quorum requirement and be adopted by the same vote required to take action under

Bylaws of Pennichuck East Utility, Inc.

Page 13

the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.

3.9 **Director Action Without a Meeting.** Any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if all the Directors take the action, each one signs a written consent describing the action taken, and the consents are filed with the records of the Corporation. Action taken by consents is effective when the last Director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

3.10 **Removal of Directors.** The shareholders may remove one or more Directors at a meeting called for that purpose if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause unless the Articles of Incorporation provide that Directors may only be removed with cause. If a Director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove him. If cumulative voting is authorized, a Director may not be removed if the number of votes sufficient to elect him under cumulative voting is voted against his removal. If cumulative voting is not authorized, a Director may be removed only if the number of votes cast to remove him exceeds the number of votes cast not to remove him.

3.11 **Board of Director Vacancies.** Unless the Articles of Incorporation provide otherwise, if a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of Directors, the Board of Directors or the shareholders may fill the vacancy. If the Directors remaining in office constitute fewer than a quorum of the Board, they may fill the vacancy by the affirmative vote of a majority of all of the Directors remaining in office.

If the vacant office was held by a Director elected by a voting group of shareholders, only the holders of shares of that voting group are entitled to vote to fill the vacancy if it is filled by the shareholders.

A vacancy that will occur at a specific later date (by reason of a resignation effective at a later date) may be filled before the vacancy occurs but the new Director may not take office until the vacancy occurs.

The term of a Director elected to fill a vacancy expires at the next shareholders meeting at which Directors are elected. However, if his or her term expires, he or she shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of Directors.

3.12 **Director Compensation.** Unless otherwise provided in the Articles of Incorporation, by resolution of the Board of Directors, each Director may be paid his

Bylaws of Pennichuck East Utility, Inc.

Page 14

expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as Director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any Director from serving the Corporation in any capacity and receiving compensation therefor.

3.13 Director Committees.

(a) Creation of Committees. Unless the Articles of Incorporation provide otherwise, the Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Each committee must have two or more members, who serve at the pleasure of the Board of Directors.

(b) Selection of Members. The creation of a committee and appointment of members to it must be approved by the greater of (1) a majority of all the Directors in office when the action is taken or (2) the number of Directors required by Section 3.7 to take action.

(c) Required Procedures. Sections 3.4, 3.5, 3.6, 3.7, 3.8 and 3.9, which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements of the Board of Directors, apply to committees and their members.

(d) Authority. Each committee may exercise those aspects of the authority of the Board of Directors which the Board of Directors confers upon such committee in the resolution creating the committee. Provided, however, a committee may not:

- (1) authorize distributions;
- (2) approve or propose to shareholders action that the Act requires be approved by shareholders;
- (3) fill vacancies on the Board of Directors or on any of its committees;
- (4) amend the Articles of Incorporation pursuant to the authority of Directors to do so granted by Section 10.02 of the Act;
- (5) adopt, amend, or repeal Bylaws;
- (6) approve a plan of merger not requiring shareholder approval;

Bylaws of Pennichuck East Utility, Inc.

Page 15

- (7) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; or
- (8) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative right, preferences, and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within limits specifically prescribed by the Board of Directors.

ARTICLE IV

OFFICERS

4.1 **Number of Officers.** The officers of the Corporation shall be a President, a Secretary, and a Treasurer, and may include the office of Chairman, each of whom shall be appointed by the Board of Directors. Such other officers and assistant officers as may be deemed necessary, including any Vice-Presidents, may be appointed by the Board of Directors. If specifically authorized by the Board of Directors, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the Corporation.

4.2 **Appointment and Term of Office.** The officers of the Corporation shall be appointed by the Board of Directors for a term as determined by the Board of Directors. The designation of a specified term grants to the officer no contract rights, and the Board can remove the officer at any time prior to the termination of such term. If no term is specified, they shall hold office until they resign, die, or until they are removed in the manner provided in Section 4.3.

4.3 **Removal of Officers.** Any officer may be removed by the Board of Directors at any time, with or without cause. Any such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer or agent shall not of itself create contract rights.

4.4 **Chairman of the Board.** The Chairman of the Board, if any, may be designated by the Directors as chief executive officer of the Corporation. The Chairman of the Board, if any, shall preside at all meetings of the shareholders and of the Board of Directors, and shall exercise overall supervision of the officers and affairs of the Corporation.

4.5 **The President.** The President shall be the chief executive officer of the Corporation if the Chairman is not so designated, and shall have the general management

Bylaws of Pennichuck East Utility, Inc.

Page 16

of the affairs of the Corporation as far as they are not specifically regulated by the shareholders or the Directors, including the Chairman of the Board, if any. The President shall preside at all the meetings of the shareholders and of the Board of Directors in the absence of the Chairman or if no Chairman shall have been designated by the Directors. He or she may sign certificates for shares of the Corporation and deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.6 **The Vice-Presidents.** If appointed, in the absence of the President or in the event of his or her death, inability or refusal to act, the Vice-President (or in the event there be more than one Vice-President, the Vice-Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their appointment) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. If there is no Vice-President, then the Treasurer shall perform such duties of the President. Any Vice-President shall perform such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

4.7 **The Secretary.** The Secretary shall: (a) keep the minutes of the proceedings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of any seal of the Corporation and if there is a seal of the Corporation, see that it is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) when requested or required, authenticate any records of the Corporation; (e) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (f) sign certificates for shares of the Corporation; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors.

4.8 **The Treasurer.** The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his

Bylaws of Pennichuck East Utility, Inc.

Page 17

or her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

4.9 **Salaries.** The salaries of the officers shall be fixed from time to time by the Board of Directors.

ARTICLE V

INDEMNIFICATION OF DIRECTORS, OFFICERS, AGENTS, AND EMPLOYEES

5.1 **Indemnification of Directors.** The Corporation shall indemnify any individual made a party to a proceeding, or is threatened to be made a party to any proceeding, whether civil, criminal, administrative or investigative, because he is or was a Director of the Corporation, or while a Director of the Corporation is or was serving at the Corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against liability incurred in the proceeding, but only if the Corporation has authorized the payment in accordance with RSA 392-A:8.55 and a determination has been made in accordance with the procedures set forth therein that the Director met the standards of conduct in Paragraphs (a), (b), and (c) below.

(a) **Standard of Conduct.** The individual shall demonstrate that:

- (1) he or she conducted himself or herself in good faith; and
- (2) he or she reasonably believed: (i) in the case of conduct in his or her official capacity with the Corporation, that his or her conduct was in its best interests; (ii) in all other cases, that his or her conduct was at least not opposed to its best interests; and (iii) in the case of any criminal proceeding, he or she had no reasonable cause to believe his conduct was unlawful.

(b) **No Indemnification Permitted in Certain Circumstances.** The Corporation shall not indemnify a Director under this Section 5.1:

- (1) in connection with a proceeding by or in the right of the Corporation in which the Director was adjudged liable to the Corporation; or
- (2) in connection with any other proceeding charging improper personal benefit to him or her, whether or not involving action in his or her official capacity, in which he or she was adjudged

Bylaws of Pennichuck East Utility, Inc.

Page 18

liable on the basis that personal benefit was improperly received by him or her.

(c) Indemnification in Derivative Actions Limited. Indemnification permitted under this Section 5.1 in connection with a proceeding by or in the right of the Corporation is limited to reasonable expenses incurred in connection with the proceeding.

(d) Mandatory Indemnification. The Corporation shall indemnify a Director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party because he or she is or was a Director of the Corporation, against reasonable expenses, including attorneys' fees, incurred in connection therewith.

5.2 Advance Expenses for Directors. If a determination is made, following the procedures of RSA 293-A:8.55 that the Director has met the following requirements, and if an authorization of payment is made, following the procedures and standards set forth therein, the Company shall pay for or reimburse the reasonable expenses incurred by a Director who is a party to a proceeding in advance of final disposition of the proceeding, if:

(a) the Director furnishes the Corporation a written affirmation of his or her good faith belief that he or she has met the standard of conduct described in Section 5.1 of this Article V;

(b) the Director furnishes the Corporation a written undertaking, executed personally or on his or her behalf, to repay the advance if it is ultimately determined that he or she did not meet the standard of conduct (which undertaking must be an unlimited general obligation of the Director but need not be secured and may be accepted without reference to financial ability to make repayment); and

(c) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 5.1 or RSA 293-A:8.50 through 8.58.

5.3 Indemnification of Officers, Agents, and Employees Who Are Not Directors. The Board of Directors may indemnify and advance expenses to any officer, employee, or agent of the Corporation, who is not a Director of the Corporation, to any extent consistent with public policy, as determined by the general or specific action of the Board of Directors.

5.4 Insurance. The Corporation may purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the Corporation, or who, while a director, officer, employee, or agent of the Corporation, is or

Bylaws of Pennichuck East Utility, Inc.

Page 19

was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him in that capacity or arising from his status as a director, officer, employee, or agent, whether or not the corporation would have the power to indemnify him against the same liability under RSA 293-A:8.51 or 293-A:8.52. The obligation to indemnify and reimburse set forth in this Article V, if applicable, shall be reduced by the amount of any such insurance proceeds paid to such person, or the representatives or successors of such person.

5.5 **Effect of Bylaw Amendment.** No amendment or repeal of this Article shall limit or eliminate the benefits provided to any person under this Article with respect to any act or omission that occurred prior to such amendment or repeal.

ARTICLE VI

CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.1 **Certificates for Shares.**

(a) **Content.** Certificates representing shares of the Corporation shall at a minimum, state on their face the name of the issuing corporation and that it is formed under the laws of the State of New Hampshire; the name of the person to whom issued; and the number and class of shares and the designation of the series, if any, the certificate represents; and be in such form as determined by the Board of Directors. Such certificates shall be signed (either manually or by facsimile) by the President and by the Secretary and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified.

(b) **Legend as to Class or Series.** If the Corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the Corporation will furnish the shareholder this information on request in writing and without charge.

(c) **Shareholder List.** The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation.

Bylaws of Pennichuck East Utility, Inc.

Page 20

(d) Transferring Shares. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed, or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

6.2 Registration of the Transfer of Shares. Registration of the transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation. In order to register a transfer, the record owner shall surrender the shares to the Corporation for cancellation, properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the Corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the Corporation as the owner, the person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

6.3 Restrictions on Transfer of Shares Permitted. The Directors (or shareholders) may impose restrictions on the transfer or registration of transfer of shares (including any security convertible into, or carrying a right to subscribe for or acquire shares). A restriction does not affect shares issued before the restriction was adopted unless the holders of the shares are parties to the restriction agreement or voted in favor of the restriction.

A restriction on the transfer or registration of transfer of shares may be authorized:

- (a) to maintain the Corporation's status when it is dependent on the number or identity of its shareholders;
- (b) to preserve exemptions under federal or state securities law;
- (c) for any other reasonable purpose.

A restriction on the transfer or registration of transfer of shares may:

- (a) obligate the shareholder first to offer the Corporation or other persons (separately, consecutively, or simultaneously) an opportunity to acquire the restricted shares;
- (b) obligate the Corporation or other persons (separately, consecutively, or simultaneously) to acquire the restricted shares;

Bylaws of Pennichuck East Utility, Inc.

Page 21

(c) require the Corporation, the holders or any class of its shares, or another person to approve the transfer of the restricted shares, if the requirement is not manifestly unreasonable;

(d) prohibit the transfer of the restricted shares to designated persons or classes of persons, if the prohibition is not manifestly unreasonable.

A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this section and its existence is noted conspicuously on the front or back of the certificate. Unless so noted, a restriction is not enforceable against a person without knowledge of the restriction.

6.4 **Acquisition of Shares.** The Corporation may acquire its own shares, and the shares so acquired constitute authorized but unissued shares.

ARTICLE VII

DISTRIBUTIONS

7.1 **Distributions.** The Board of Directors may authorize, and the Corporation may make, distributions (including dividends on its outstanding shares) in the manner and upon the terms and conditions provided by law and in the Articles of Incorporation.

ARTICLE VIII

CORPORATE SEAL

8.1 **Corporate Seal.** The Board of Directors may provide a corporate seal which may be circular in form and have inscribed thereon any designation including the name of the Corporation, New Hampshire as the state of incorporation, and the words "Corporate Seal."

ARTICLE IX

AMENDMENTS

9.1 **Amendments.** The Board of Directors may amend or repeal the Corporation's Bylaws unless:

Bylaws of Pennichuck East Utility, Inc.

Page 22

(a) The Articles of Incorporation or the Act reserve this power exclusively to the shareholders in whole or in part; or

(b) The shareholders in adopting, amending, or repealing a particular Bylaw provide expressly that the Board of Directors may not amend or repeal that Bylaw; or

(c) The Bylaw either establishes, amends, or deletes, a supermajority shareholder quorum or voting requirement (as defined in Section 2.8).

Any amendment which changes the voting or quorum requirement for the Board must comply with Article III, Section 3.8, and for the shareholders, must comply with Article II, Section 2.8.

The Corporation's shareholders may amend or repeal the Bylaws, even though the Bylaws may also be amended or repealed by its Board of Directors.

SECRETARY'S CERTIFICATE

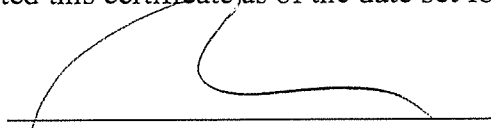
PENNICHUCK CORPORATION

I, Richard A. Samuels, being the duly elected Secretary of PENNICHUCK CORPORATION, a New Hampshire corporation (the "Corporation"), hereby certify that:

- (i) Attached hereto as Exhibit A is a true and correct copy of a certain resolution of the Board of Directors of the Corporation duly adopted at a meeting held on March 13, 2008 at which a quorum was present, and that such resolution is in conformity with the Restated Articles of Incorporation and the Bylaws of the Corporation (each as amended to date) and such resolution has not been rescinded or modified, and is in full force and effect, as of the date hereof.
- (ii) Attached hereto as Exhibit B is a true and correct copy of the Restated Articles of Incorporation of the Corporation in full force an effect as of the date hereof.
- (iii) Attached hereto as Exhibit C is a true and correct copy of the Bylaws of the Corporation in full force an effect as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of the date set forth below.

Dated: July 22, 2008



Richard A. Samuels, Secretary

EXHIBIT A

VOTED: To authorize and approve the Corporation's guaranty of an agreement between Pennichuck East Utility, Inc. and the State of Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which Pennichuck East Utility, Inc. will borrow up to Five Hundred Ninety Five Thousand Dollars (\$595,000) at then current SRF rates of interest for the purpose of funding upgrades to its Maple Hills Community Water System in Derry, New Hampshire.

EXHIBIT B

See attached.

State of New Hampshire

Filing fee: \$ 5.00

Use black print or type.

Form must be single-sided, on 8 1/2 X 11" paper;
double-sided copies will not be accepted.

Filed
Date Filed: 03/13/2008
Business ID: 30869
William M. Gardner
Secretary of State

Form 16

RSA 293-A:10.07

RESTATED ARTICLES OF INCORPORATION OF

PENNICHUCK CORPORATION

PURSUANT TO THE PROVISIONS OF THE NEW HAMPSHIRE BUSINESS CORPORATION ACT,
THE UNDERSIGNED CORPORATION, PURSUANT TO A RESOLUTION DULY ADOPTED BY
ITS BOARD OF DIRECTORS, HEREBY ADOPTS THE FOLLOWING RESTATED ARTICLES OF
INCORPORATION: (Here insert all of the operative provisions of the articles of incorporation as amended)

SEE ATTACHED RESTATED ARTICLES OF INCORPORATION OF PENNICHUCK CORPORATION

State of New Hampshire
Form 16 - Restated Articles 24 Page(s)



T0807331071

[If more space needed, attach additional sheet(s)]

RESTATED ARTICLES OF INCORPORATION OF
PENNICHUCK CORPORATION

Form 16
(cont.)

THE FOREGOING RESTATED ARTICLES OF INCORPORATION CORRECTLY SET FORTH WITHOUT CHANGE THE CORRESPONDING PROVISIONS OF THE ARTICLES OF INCORPORATION AS HERETOFORE AMENDED, AND SUPERSEDE THE ORIGINAL ARTICLES OF INCORPORATION AND ALL AMENDMENTS THERETO.

Date MARCH 13, 2008

PENNICHUCK CORPORATION

(Note 1)

(Corporate name)

William D. Patterson

(Note 2)

(Signature)

SVP & CFO

(Note 2)

(Title)

WILLIAM D. PATTERSON

(Print or type name)

DISCLAIMER: All documents filed with the Corporation Division will be publicly available for inspection, physically, electronically or in other media.

- Notes: 1. Exact corporate name of corporation adopting the restated articles of incorporation.
2. Signature and title of person signing for the corporation. Must be signed by the chairman of the board of directors, president or another officer; or see RSA 293-A:1.20(f) for alternative signatures.

Mail fee with DATED AND SIGNED ORIGINAL to: Corporation Division, Department of State, 107 North Main Street, Concord NH 03301-4989.

b.

**RESTATED
ARTICLES OF INCORPORATION
OF PENNICHUCK CORPORATION**

The following Articles of Incorporation are adopted pursuant to the provisions of the New Hampshire Business Corporation Act (RSA Chapter 293-A):

ARTICLE I

The name of the corporation is PENNICHUCK CORPORATION.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The principal purposes for which the corporation is organized are:

To acquire an interest in or control of corporations or associations engaging in activities of every kind or description or any other activities through ownership of stock; to acquire such stock by purchase, exchange for its own securities or otherwise; to exercise all of the rights, powers and privileges of such stock; and to generally conduct the business and carry on the activities of a holding company.

The corporation is further empowered to transact any and all lawful business for which corporations may be incorporated under RSA Chapter 293-A.

ARTICLE IV

Except as provided in Article VII, the aggregate number of shares of capital stock which the corporation shall have authority to issue is: Eleven Million Five Hundred Thousand (11,500,000) shares of common stock, having par value of One Dollar (\$1.00) per share, and Fifteen Thousand (15,000) shares of preferred stock, having par value of One Hundred Dollars (\$100.00) per share. The following is a statement of the designations, preferences, voting powers, qualifications, limitations, restrictions, and the special or relative rights granted to or imposed upon the common stock and the preferred stock, and a statement of the authority vested in the board of directors to fix by resolution any designations, preferences, voting powers, qualifications, limitations, restrictions, and special or relative rights of any series of preferred stock that is desired but which has not been fixed herein:

1. Shares of preferred stock authorized and issued from time to time may be divided into and issued in series and classes as herein provided, each of such series and classes to be distinctly designated. All shares of preferred stock of all series of the same class shall be of equal rank and all shares of any particular series of the preferred stock shall be identical except as to the date or dates from which dividends thereon shall be cumulative as provided in paragraph 2

hereof. The shares of the preferred stock of different series, subject to any applicable provision of law, may vary as to the following terms, which shall be fixed in the case of each such series, at any time prior to the issuance of the shares thereof, in the manner provided in paragraph 7 hereof:

- a. The annual dividend rate (within such limits as shall be permitted by law) for the particular series and the date from which dividends shall be cumulative on all shares of such series issued prior to the record date for the first dividend for such series;
- b. The redemption price or prices, if any, for the particular series;
- c. The amount or amounts per share for the particular series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation, which may be different for voluntary or involuntary liquidation, dissolution or winding up;
- d. The terms and amount of any sinking fund provided for the purchase or redemption of shares of the particular series; and
- e. The conversion, participating or other special rights, and the qualifications, limitations or restrictions thereof, if any of the particular series.

2. The holders of each series of the preferred stock at the time outstanding shall be entitled to receive, but only when and as declared by the board of directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate for the particular series fixed therefor as herein provided; payable quarter-yearly on the fifteenth days of January, April, July and October in each year, to shareholders of record on the respective dates, not exceeding forty (40) days preceding such dividend payment dates, fixed for the purpose by the board of directors. No dividends shall be declared on any series in a particular class of the preferred stock in respect of any quarter-yearly dividend period unless there shall likewise be declared on all shares of all series in said class of the preferred stock at the time outstanding, like proportionate dividends, ratably, in proportion to the respective annual dividend rates fixed therefor, in respect of the same quarter-yearly dividend period, to the extent that such shares are entitled to receive dividends for such quarter-yearly dividend period. The dividends on shares of all series of the preferred stock shall be cumulative. In the case of all shares of each particular series, the dividends on shares of such series shall be cumulative:

- a. If issued prior to the record date for the first dividend on the shares of such series, then from the date for the particular series fixed therefor as herein provided;
- b. If issued during the period commencing immediately after a record date for a dividend and terminating at the close of the payment date for such dividend, then from such dividend payment date; and

- c. Otherwise from the quarter-yearly dividend payment date next preceding the date of issue of such shares;

so that unless dividends on all outstanding shares of each series of the preferred stock, at the annual dividend rate and from the dates for accumulation thereof fixed as herein provided shall have been paid for all past quarter-yearly dividend periods, but without interest on cumulative dividends, no dividends shall be paid or declared and no other distribution shall be made on the common stock, and no common stock shall be purchased or otherwise acquired for value by the corporation. The holders of the preferred stock of any series shall not be entitled to receive any dividends thereon other than the dividends referred to in this paragraph 2.

3. The corporation, by action of its board of directors, may redeem the whole or any part of any series of the preferred stock, at any time or from time to time, at the redemption price of the shares of the particular series fixed therefor as herein provided, together with a sum in the case of each share of each series so to be redeemed, computed at the annual dividend rate for the series of which the particular share is a part from the date from which dividends on such share became cumulative to the date fixed for such redemption, less the aggregate of the dividends theretofore or on such redemption date paid thereon or declared and set aside for payment thereon. Notice of every such redemption shall be given by publication at least once in a daily newspaper printed in the English language and of general circulation in the City of Nashua, New Hampshire, or Boston, Massachusetts, the first publication in such newspaper to be at least thirty (30) days and not more than ninety (90) days prior to the date fixed for such redemption. At least thirty (30) days' and not more than ninety (90) days' previous notice of every such redemption shall also be mailed to the holders of record of the shares of the preferred stock so to be redeemed, at their respective addresses as the same shall appear on the books of the corporation; but either or both of such requirements for notice by publication and notice by mailing may be waived by the holders of the shares to be redeemed and, in any event, no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of the preferred stock so to be redeemed. In case of the redemption of a part only of any series of the preferred stock at the time outstanding, the corporation shall select by lot or pro rata, in such manner as the board of directors may determine, the shares so to be redeemed. The board of directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which the shares of the preferred stock shall be redeemed from time to time. If such notice of redemption shall have been duly given publication, and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered by cancellation, from and after the date fixed for redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called for redemption shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon redemption thereof, without interest; provided, however, that the corporation may, after giving notice by publication of any such redemption as hereinbefore provided or after giving notice

the bank or trust company hereinafter referred to irrevocable authorization to give such notice by publication, and, at any time prior to the redemption date specified in such notice, deposit in trust, for the account of the holders of the shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United States of America or of the State of New Hampshire or Commonwealth of Massachusetts, doing business in the City of Nashua, New Hampshire, or the City of Boston, Massachusetts, having capital, surplus and undivided profits aggregating at least \$10,000,000, designated in such notice of redemption and upon such deposit in trust, all shares with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive, out of the funds so deposited in trust, from and after the date of such deposit, the amount payable upon the redemption thereof, without interest, provided further that notice of such right shall be included in the notice of redemption hereinabove provided for. Nothing herein contained shall limit any legal right of the corporation to purchase or otherwise acquire any shares of the preferred stock at not exceeding the price at which the same may be redeemed. All or any shares of the preferred stock at any time redeemed, purchased or acquired by the corporation may thereafter, in the discretion of the board of directors, be reissued or otherwise disposed of at any time or from time to time to the extent and in the manner now or hereafter permitted by law, subject, however, to the limitations imposed by the terms of any particular class or series of the preferred stock adopted in the manner provided in paragraph 7 hereof.

4. Before any amount shall be paid to, or any assets distributed among, the holders of the common stock upon any liquidation, dissolution or winding up of the corporation, and after paying or providing for the payment of all creditors of the corporation, the holders of each series of the preferred stock at the time outstanding shall be entitled to be paid in cash the amount for the particular series fixed therefor as herein provided, together with a sum in the case of each such share of each series, computed at the annual dividend rate for the series of which the particular share is a part, from the date from which dividends on such share became cumulative to the date fixed for the payment of such distributive amount, less the aggregate of the dividends theretofore or on such date paid thereon or declared and set aside for payment thereon; but no payments on account of such distributive amounts shall be made to the holders of any series of the preferred stock unless there shall likewise be paid at the same time to the holders of each other series of the same class of the preferred stock at the time outstanding like proportionate distributive amounts, ratably, in proportion to the full distributive amounts to which they are respectively entitled as herein provided. Each class of stock shall be entitled to receive such payments on the basis of the relative seniority of such class with respect to each other class. The holders of the preferred stock of any series shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the corporation other than the amounts referred to in this paragraph. Neither the consolidation or merger of the corporation with or into any other corporation or corporations, nor the sale or transfer by the corporation of all or any part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the corporation for the purposes of this paragraph.

5. Whenever the full dividends on all series of the preferred stock at the time outstanding for all past quarter-yearly dividend periods shall have been paid or declared and set apart for payment, then such dividends (payable in cash, stock or otherwise), as may be

determined by the board of directors may be declared and paid on the common stock, but only out of funds legally available for the payment of such dividends.

6. In the event of any liquidation, dissolution or winding up of the corporation, all assets and funds of the corporation remaining after paying or providing for the payment of all creditors of the corporation and after paying or providing for the payment to the holders of shares of all series of the preferred stock of the full distributive amounts to which they are respectively entitled, as herein provided, shall be divided among and paid to the holders of the common stock according to their respective shares.

7. The corporation may, at any time or from time to time, within the then total authorized amount of the preferred stock of all series, increase the authorized amount of any series of the preferred stock or of any preferred stock which is not part of a then existing series, establish or reestablish any unissued shares of the preferred stock as shares of the preferred stock of any series as preferred stock which is not part of a then existing series, create one or more additional classes or series of the preferred stock, fix the authorized amount of any class or series (which amount shall be subject to change from time to time by like action), and fix the designations, and the terms of any class or series of the preferred stock in the respects in which the shares or any class or series may vary from the shares of other class or series of the preferred stock as provided in paragraph 1 hereof, by the vote of the holders of a majority of the total number of shares of the common stock of the corporation then outstanding given at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof. In case and to the extent that, under the laws of New Hampshire at the time in effect, the board of directors of the corporation shall be authorized by law to create new classes or series of the preferred stock or to fix the amounts, designations, and the terms of the shares of any class or series of the preferred stock or to take any other action with respect to the preferred stock of the corporation specified in this paragraph 7, no action of shareholders of the corporation with respect thereto shall be required under the provisions of this paragraph 7 and all action authorized by the provisions of this paragraph 7 to be taken by vote of the holders of the common stock may be taken by vote of the board of directors of the corporation.

8. (A) So long as any shares of the preferred stock of any series are outstanding, the corporation shall not, without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of at least two-thirds of the total number of shares of the preferred stock of all series then outstanding:

- a. Create or authorize any kind of stock (other than a series of the preferred stock) ranking prior to or on parity with the preferred stock, or create or authorize any obligation or security convertible into shares of stock of any such kind; or
- b. Amend, alter, change or repeal any of the express terms of the preferred stock or of any series of the preferred stock then outstanding in a manner prejudicial to the holders thereof; provided, however, that if any such amendment, alteration, change or repeal would be prejudicial to the holders of one or more, but not all, of the series of the preferred stock at the time outstanding, only such consent of the

holders of two-thirds of the total number of shares of all series so affected shall be required; or

- c. Issue any additional shares of any series of the preferred stock, unless (i) for the purpose of refunding all of the shares of any particular series of preferred stock then outstanding, subject to any limitations on redemption which may exist with respect to such series; or (ii) the net earning of the corporation applicable to the payment of dividends on the preferred stock, and unless the net earnings applicable to the payment of interest charges on its indebtedness, in each instance after provision for depreciation and all taxes chargeable as operating expense and determined in accordance with sound accounting practice, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the calendar month within which such additional shares of stock shall be issued, shall, respectively, have been at least two (2) times the dividend requirements for a twelve (12) months' period upon the entire amount of the preferred stock to be outstanding immediately after the proposed issue of such additional shares of preferred stock and at least one and one-half (1 1/2) times the aggregate of such dividend requirements and of the interest charges for said period on the entire amount of the indebtedness to be likewise outstanding; but excluding from each of the foregoing computations interest charges on all indebtedness which is to be retired through the issue of such additional shares of preferred stock.

(B) So long as any shares of the preferred stock of any series are outstanding, the corporation shall not pay any dividends on or make any other distribution to the holders of shares of its common stock if after giving effect to such payment or distribution the capital of the corporation represented by its common stock together with its surplus as then stated on its books of accounts shall in the aggregate be less than the involuntary liquidating value of its then outstanding preferred stock.

9. No holder of shares of any series of the preferred stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class, series or kind whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

10. (A) At all meetings of the shareholders of the corporation the holders of common stock shall be entitled to one vote for each share of common stock held by them respectively except as herein otherwise expressly provided. The holders of the preferred stock shall have no right to vote and shall not be entitled to notice of any meeting of shareholders of the corporation nor to participate in any such meeting except as herein otherwise expressly provided and except for those purposes, if any, for which said rights cannot be denied or waived under some mandatory provision of law which shall be controlling.

(B) If and when (i) dividends payable on any series of the preferred stock shall be in default in an amount equivalent to four (4) full quarter-yearly dividends on the shares of

such series of the preferred stock then outstanding, or (ii) any mandatory redemption payment shall be in arrears by five (5) or more days with respect to the shares of any series of preferred stock then outstanding, and until all dividends then in default shall have been paid or declared and set apart for payment, and any mandatory redemption payment then in arrears shall have been paid, the holders of all preferred stock, voting separately as one class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full board of directors, and the holders of the common stock, voting separately as a class, shall be entitled to elect the remaining directors of the corporation. The terms of office of all persons who may be directors of the corporation at the time shall terminate upon the election of a majority of the board of directors by the holders of the preferred stock, whether or not the holders of the common stock shall then have elected the remaining directors of the corporation.

(C) If and when all dividends then in default on the preferred stock then outstanding shall be paid or declared and set apart for payment (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practicable), and any mandatory redemption payment then in arrears shall have been paid, the preferred stock shall thereupon be divested of any special right with respect to the election of directors provided in subparagraph (B) hereof, the voting power of the preferred stock and the common stock shall revert to the status existing before the occurrence of such default; but always subject to the same provisions for vesting such special rights in the preferred stock in case of further like default or defaults in dividends thereon or further arrearages in mandatory redemption payments thereon. Upon the termination of any such special right, the terms of office of all persons who may have been elected directors of the corporation by vote of the holders of the preferred stock, as a class, pursuant to such special right shall forthwith terminate, and the resulting vacancies shall be filled by the vote of a majority of the remaining directors.

(D) In case of any vacancy in the office of a director occurring among the directors elected by the holders of preferred stock, as a class, pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of preferred stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Likewise in case of any vacancy in the office of a director occurring among the directors elected by the holders of common stock pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of the common stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

(E) Whenever under the provisions of subparagraph (B) hereof, the right shall have accrued to the holders of the preferred stock to elect directors, the board of directors shall within ten (10) days after delivery to the corporation at its principal office of a request to such effect signed by any holder of preferred stock entitled to vote, call a special meeting of all shareholders to be held within forty (40) days from the delivery of such request for the purpose of electing directors. At all meetings of shareholders held for the purpose of electing directors during such times as the holders of shares of the preferred stock shall have the special right, voting separately as one class, to elect directors pursuant to subparagraph (B) hereof, the

presence in person or by proxy of the holders of a majority of the outstanding shares of the common stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of all series of the preferred stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of either such class shall not prevent the election at any such meeting or adjournment thereof of directors by the other such class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided further that in the absence of a quorum of the holders of stock of either such class, a majority of those holders of the stock of such class who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such class from time to time without notice other than announcement at the meeting until the requisite amount of holders of such class shall be present in person or by proxy, but such adjournment shall not be made to a date beyond the date for the mailing of notice of the next annual meeting of the corporation or special meeting in lieu thereof.

(F) Except when some mandatory provision of law shall be controlling and except as otherwise provided in clause (b) of paragraph 8(A) hereof and, as regards the special rights of any series of the preferred stock as provided in the resolutions creating such series, whenever shares of two or more series of the preferred stock are outstanding, no particular series of the preferred stock shall be entitled to vote as a separate series on any matter and all shares of the preferred stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the corporation by classes may now or hereafter be required.

11. From time to time, and without limitation of other rights and powers of the corporation as provided by law, the corporation may reclassify its capital stock and may create or authorize one or more classes or kinds of stock ranking prior to or on a parity with or subordinate to the preferred stock or may increase the authorized amount of the preferred stock or of the common stock or of any other class of stock of the corporation or may amend, alter, change or repeal any of the rights, privileges, terms and conditions of the preferred stock or of any series thereof then outstanding or of the common stock or of any other class of stock of the corporation, upon the vote, given at a meeting called for that purpose in accordance with the provisions of paragraph 12, hereof, of a majority in interest of the shareholders then entitled to vote thereon or upon such other vote of its shareholders then entitled to vote thereon as may then be provided by law; (i) provided that the consent of the holders of the preferred stock (or of any series thereof) required by the provisions of subparagraph (A) of paragraph 8 hereof, if any such consent be so required, shall have been obtained; (ii) provided that the rights, privileges, terms and conditions of the common stock shall not be subject to amendment, alteration, change or repeal without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of a majority of the total number of shares of the common stock then outstanding; and (iii) provided that any limitations imposed by the terms of any particular class or series of the preferred stock adopted in the manner provided in paragraph 7 hereof, shall have been satisfied.

12. Notice of any meeting of shareholders of the corporation, or of the holders of any class or series of stock, required or authorized hereunder or by law, setting forth the purpose or purposes of such meeting, shall be mailed by the corporation, in the manner provided in the

corporation's bylaws. Any action authorized to be taken at a meeting called for that purpose in accordance with the provisions of this paragraph 12 may be taken either at a special meeting, or at any regular or annual meeting provided that notice of such proposed action is included in the notice of such regular or annual meeting. Except where some mandatory provision of law shall be controlling, no other, longer or additional notice need be given of any such meeting and all holders of shares of stock of the corporation, by becoming such, hereby consent to the holding of any such meeting upon notice given as hereinbefore provided and hereby waive, to the full extent permitted by law any right to require the giving of or to receive any such other, longer or additional notice.

13. The corporation may, at any time and from time to time, issue and dispose of any of the authorized and unissued shares of the preferred stock and common stock for such consideration as may be fixed by the board of directors, subject to any provisions of law then applicable, and subject to the provisions of any resolutions of the shareholders of the corporation relating to the issue and disposition of such shares.

14. The shareholders of the corporation shall not have preemptive rights to acquire unissued or treasury shares of common stock or securities convertible into such shares or carrying a right to subscribed to or acquire shares. This provision shall apply to the holders of the corporation's common stock, whether issued prior to or subsequent to the adoption hereof.

ARTICLE V

Subject to the provisions of Article IV and any other restrictions imposed by law, the board of directors may (i) purchase, take, receive or otherwise acquire, hold, own, pledge, transfer or otherwise dispose of the shares of the corporation, but purchases of such shares, whether direct or indirect, shall be made only to the extent of unreserved and unrestricted earned surplus and capital surplus of the corporation available for such purchases; and (ii) distribute to its shareholders out of the capital surplus of the corporation a portion of its assets, in cash or property.

ARTICLE VI

In addition to any affirmative vote required by law or these Articles of Incorporation, the vote of shareholders of the corporation required to approve any Business Combination (as defined hereinbelow) shall be as set forth in this Article VI. Each capitalized or other term used in this Article VI shall have the meaning ascribed to it in Section 3 hereof or as otherwise defined herein.

1. None of the following Business Combinations shall be consummated without the affirmative vote of the holders of at least two-thirds of the shares entitled to vote thereon ("Voting Stock"), unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote:

- a. any merger or consolidation of the corporation or any Subsidiary with or into (i) any Interested Shareholder or (ii) any other corporation or entity (whether or not itself an Interested Shareholder) which is, or after each merger or consolidation would be, an Affiliate of an Interested Shareholder;
- b. any sale, lease, exchange, mortgage; pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of assets of the corporation or any Subsidiary having an aggregate Fair Market Value of \$1,000,000 or more;
- c. the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; other than the issuance of securities upon the conversion of any class or series of stock or securities convertible into stock of the corporation or any Subsidiary which were not acquired by such Interested Shareholder (or such Affiliate) from the corporation or a Subsidiary;
- d. the adoption of any plan or proposal for the liquidation or dissolution of the corporation or any Subsidiary proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or
- e. any reclassification of securities (including any reverse stock split), or any recapitalization of the corporation or any other Subsidiary, or any merger or consolidation of the corporation with or into any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which in any such case (i) has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of stock of the corporation or any Subsidiary which is directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate of any Interested Shareholder (ii) would have the effect of increasing such proportionate share upon conversion of any class or series of stock or securities convertible into stock of the corporation or any Subsidiary.

2. The provisions of Section 1 hereof shall not be applicable to any Business Combination in respect of which all of the conditions specified in either of the following Subsections a and b are met. Any such Business Combination shall require the affirmative vote of only the holders of a majority of the shares of common stock of the corporation.

- a. Such Business Combination shall have been approved by a majority of the Disinterested Directors, or
- b. All conditions specified in the following Paragraphs (1) through (5) shall have been met:

(1) Minimum Price: Consideration for Stock.

(a) Common Stock.

The aggregate amount of the cash and the Fair Market Value as of the "Consummation Date" of any consideration other than cash to be received by holders of the common stock of the corporation in such Business Combination shall be at least equal to the higher of the following:

(i) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such common stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher; or

(ii) the Fair Market Value per share of such common stock on the Announcement Date or the Determination Date, whichever is higher; and

(b) Other Stock.

The aggregate amount of the cash and the Fair Market Value as of the Consummation Date of any consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock other than Common stock shall be at least equal to the highest of the following (it being intended that the requirements of this Subparagraph (b) shall be required to be met with respect to every class and series of such Voting Stock, whether or not the Interested Shareholder beneficially owns any shares of a particular class or series of such Voting Stock):

(i) the highest per share price (including any brokerage commissions, transfers taxes and soliciting dealers' fees) paid in order to acquire any shares of such class or series of Voting Stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher;

(ii) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation; or

(iii) the Fair Market Value per share of such class or series of Voting Stock on the Announcement Date or the Determination Date, whichever is higher; and

(c) Form of Consideration.

The consideration to be received by holders of a particular class or series of outstanding Voting stock shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of such class or series of Voting Stock that are beneficially owned by the Interested Shareholder and, if the Interested Shareholder beneficially owns shares of any class or series of Voting Stock that were acquired with varying forms of consideration, the form of consideration to be received by the holders of such class or series of Voting Stock shall be either cash or the form used to acquire beneficially the largest number of shares of such class or series of Voting Stock beneficially acquired by it prior to the Announcement Date; and

(2) Prohibited Conduct.

After the Determination Date, and prior to the Consummation Date:

(a) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at regular dates therefor the full amount of any dividends, (whether or not cumulative) payable on any class or series having a preference over the common stock of the corporation as to dividends, or upon liquidation;

(b) there shall have been no reduction in the annual rate of dividends paid on the common stock of the corporation (except as necessary to reflect any division of the common stock) except as approved by a majority of the Disinterested Directors; and there shall have been an increase in such annual rate of dividends as necessary to prevent any such reduction in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the common stock, unless the failure so to increase such annual rate was approved by a majority of the Disinterested Directors;

(c) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction in which it became an Interested Shareholder; and

(d) after such Interested Shareholder has become an Interested Shareholder, such Interested shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(3) Informational Requirements.

A proxy or information statement describing the proposed Business Combination and complying with the then current requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to holders of Voting Stock at least 30 days prior to the shareholder vote on such Business Combination (whether or not such proxy or

information statement is required to be mailed pursuant to such Act or subsequent provisions).

3. For the purpose of this Article VI.

a. The term "Business Combination" shall mean any transaction that is referred to in any one or more Subsections a through e of Section 1 hereof.

b. A "person" shall mean an individual, firm, corporation or other entity.

c. "Interested Shareholder" shall mean any person (other than the corporation or any Subsidiary) who or which:

- (1) is the beneficial owner, directly or indirectly, of more than 10 percent of the combined voting power of the then outstanding shares of Voting Stock;
- (2) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the combined voting power of the then outstanding shares of Voting Stock; or
- (3) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock that were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

d. A person shall be a "beneficial owner" of any Voting Stock:

(1) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly;

(2) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(3) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

e. For the purposes of determining whether a person is an Interested Shareholder pursuant to Subsection c of this Section 3, the number of shares of Voting Stock deemed to be

outstanding shall include shares deemed owned through application of Subsection d of this Section 3.

f. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on April 6, 1984.

g. "Subsidiary" means any corporation more than 50 percent of whose outstanding stock having ordinary voting power in the election of directors is owned, directly or indirectly, by the corporation or by a subsidiary thereof or by the corporation and one or more Subsidiaries thereof; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Subsection c of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

h. "Disinterested Director" means any member of the Board of Directors of the corporation who is unaffiliated with, and not a nominee of, the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Shareholder and who is recommended to succeed a Disinterested Director by a Majority of Disinterested Directors then on the Board of Directors.

i. "Fair Market Value" means:

(1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the higher closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and

(2) in the case of stock of any class or series which is not traded on any United States registered securities exchange nor in the over-the-counter market or in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

j. In the event of any Business Combination in which the corporation survives; the phrase "any consideration other than cash" as used in Paragraph b (I) of Section 2 hereof shall include the shares of common stock and/or the share of any class or series of outstanding Voting Stock other than common stock of the corporation retained by the holders of such shares.

k. "Announcement Date" means the date of first public announcement of the proposed Business Combination.

l. "Consummation Date" means the date of consummation of a Business Combination.

m. "Determination Date" means the date on which the Interested Shareholder became an Interested Shareholder.

4. A majority of the Disinterested directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry all facts necessary to determine compliance with this Article VI, including, without limitation, (i) whether a person is an Interested Shareholder, (ii) the number of shares of Voting Stock beneficially owned by a person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of Section 2 hereof have been met with respect to any Business Combination, and (v) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$1,000,000 or more. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article VI.

5. Nothing contained in this Article VI shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

ARTICLE VII

Notwithstanding anything to the contrary contained in Article IV, the corporation shall have authority to issue 100,000 shares of a class of preferred stock having no par value. The shares of such class of preferred stock may be issued by the corporation at any time or from time to time by vote of the board of directors without the approval of the shareholders. Such class of preferred stock shall have the following preferences, limitations and rights:

1. So long as any shares of the preferred stock authorized by Article IV are outstanding, the shares of preferred stock authorized by this Article VII shall rank junior to such other shares of the preferred stock.

2. The shares of such class shall be entitled to vote on any one or more of the following matters as may be fixed by the board of directors at the time the shares are issued: (i) any Business Combination, as defined in Subsection a of Section 3 of Article VI, required to be approved pursuant to the provisions of Section I of Article VI; (ii) any merger or consolidation of the corporation with or into any other corporation or corporations or any sale of all, or substantially all, of the corporation's property and assets, with or without the goodwill, not qualifying as a Business Combination subject to the provisions of Article VI; (iii) any repeal or change of the Bylaws pursuant to Article VIII; (iv) any amendment of these Articles of Incorporation pursuant to Article XI; and (v) any other matters not inconsistent with these

Articles of Incorporation. The shares of such class shall vote as a class with respect to the foregoing matters unless otherwise provided by the board of directors at the time the shares are issued.

3. Dividends, if any, paid on the shares of such class may be cumulative or noncumulative as may be fixed and determined by the board of directors at the time the shares are issued.

4. All or any portion of the shares of such class may be redeemed at such price and under such terms and conditions as may be fixed and determined by the board of directors at the time the shares are issued.

5. There shall be paid upon the shares of such class such amounts in the event of voluntary and involuntary liquidation as may be fixed and determined by the board of directors at the time the shares are issued.

6. The shares of such class may be converted into shares of common stock as may be fixed and determined by the board of directors at the time the shares are issued.

7. The issuance of shares of such class of preferred stock shall not be subject to preemptive rights of any shareholder.

8. The shares of such class of preferred stock may have any other preferences, limitations and rights as may be fixed and determined by the board of directors at the time the shares are issued.

The board of directors shall have authority to divide such class of preferred stock into series and to fix and determine the relative preferences, limitations and rights of the shares of any series so established, including (i) the rate of dividend; (ii) whether the shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption; (iii) sinking fund provisions, if any, for the redemption or purchase of shares; (iv) the amount payable upon shares in event of voluntary and involuntary liquidation; (v) the terms and conditions, if any, on which the shares may be converted; or (vi) special voting rights, if any.

ARTICLE VIII

The Bylaws of the corporation may be amended only by a majority of the full Board of Directors, subject to repeal or change only by vote of the holders of two-thirds of the shares entitled to vote, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

ARTICLE IX

The Directors shall be divided into three classes, each class to be as nearly equal in number as possible, the term of office of Directors of the first class to expire at the first annual

meeting of shareholders after their election, that of the second class to expire at the second annual meeting after their election and that of the third class to expire at the third annual meeting after their election. At each annual meeting after such classification, a number of Directors equal to the number of the class whose terms expire at the time of such meeting shall be elected to hold office until the third succeeding annual meeting.

ARTICLE X

A Director may be removed from office only by vote of the holders of two-thirds of the shares entitled to vote at an election of Directors.

ARTICLE XI

These Articles of Incorporation may be amended by vote of the holders of a majority of the shares entitled to vote, except for Article VI, Article VII, Article VIII, Article IX, Article X and this Article XI which may be amended only by vote of the holders of two-thirds of the shares entitled to vote, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

ARTICLE XII

To the fullest extent now or hereafter permitted by law, no director or officer of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for any breach of fiduciary duty as a director or officer. Any amendment or repeal of the foregoing provision shall not adversely affect any right or protection of any director or officer of the corporation existing at the time of such amendment or repeal.

AMENDED AND RESTATED
CERTIFICATE OF DESIGNATION
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
PENNICHUCK CORPORATION

WHEREAS, Pennichuck Corporation, a corporation organized and existing under the General Business Corporation Law of the State of New Hampshire (hereinafter called the "Corporation"), hereby certifies that the Board of Directors of the Corporation (hereinafter called the "Board of Directors" or the "Board") pursuant to the authority granted to and vested in the Board in accordance with the provisions of the Restated Certificate of Incorporation of the Corporation, as amended from time to time (the "Restated Certificate of Incorporation"), created a series of Preferred Stock of the Corporation, no par value per share (the "Series A Junior Participating Preferred Stock"), by resolution at a meeting duly called and held on April 20, 2000 and stated the designation and number of shares, and fixed the relative rights, preferences, and limitations thereof in a certificate of designation (the "Certificate of Designation") filed with the Secretary of State of the State of New Hampshire on such date;

WHEREAS, the Corporation hereby certifies that the Board of Directors, by resolution at a meeting duly called and held on March 22, 2006 approved an amendment to the Restated Certificate of Incorporation increasing to 50,000 the number of shares of Series A Junior Participating Preferred Stock authorized under the Restated Certificate of Incorporation through filing an amended and restated Certificate of Designation with the Secretary of State of the State of New Hampshire that amends and restates the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 50,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year

(each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value \$1.00 per share (the "Common Stock"), of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Restated Certificate of Incorporation, including any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation

ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Restated Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction,

the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment. The Restated Certificate of Incorporation shall not be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock.

EXHIBIT C

See attached.

2269969_1.DOC
July 22, 2008 10:58:53 AM

1735607_1.DOC
July 22, 2008 10:58:53 AM

BYLAWS OF PENNICHUCK CORPORATION

ARTICLE I
PRINCIPAL OFFICE

The principal office of the Corporation shall be at Nashua in Hillsborough County in the State of New Hampshire.

ARTICLE II
SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the principal office of the Corporation or at such place within or without the State of New Hampshire as the Board of Directors may designate.

Section 2. Annual Meetings. A meeting of the shareholders of the Corporation for the election of Directors and for the transaction of any other business of the Corporation shall be held annually, at such time and on such date as the Board of Directors may designate.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the laws of the State of New Hampshire, may be called at any time by the Chairman of the Board, the President or a majority of the Board of Directors and shall be called upon the written request of the holders of not less than one-tenth of all the outstanding capital stock of the Corporation entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered at the principal office of the Corporation addressed to the Chairman of the Board, the President or the Secretary not less than sixty days before the date of the meeting.

Section 4. Notice of Meetings and Adjourned Meetings. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the President, the Secretary or the officers or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books or records of the Corporation as of the record date prescribed in Section 5 of this Article II, with postage thereon prepaid. If a shareholder be present

at a meeting, or in writing waives notice thereof before or after the meeting, notice of such meeting to such shareholder shall be unnecessary. When a meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting at which adjournment is taken. If a new record date for the adjourned meeting is fixed, notice of the adjourned meeting shall be given in the manner provided in this Section 4 to persons who are shareholders as of the new record date. A new record date shall be fixed if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

Section 5. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of, or to vote at, any meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purposes, the Board of Directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than seventy days and, in case of a meeting of shareholders, not less than ten days prior to the meeting or other date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. In the absence of a quorum at any meeting, or any adjournment thereof, the shareholders present, in person or by proxy, at such meeting shall have the power to adjourn the meeting from time to time, without further notice, until shareholders holding the requisite number of shares shall be so present. The shareholders present, in person or by proxy, at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 7. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or his duly authorized attorney-in-fact. Any proxy purporting on its face to have been executed by an attorney-in-fact for a shareholder, unless contested prior to its being voted, shall be conclusively presumed to have been duly authorized. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the Board of Directors. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy.

Section 8. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation, if a majority of the shares entitled to vote for the election of Directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 9. Voting of Shares in the Name of Two or More Persons. When ownership of shares of stock stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the shareholders of the Corporation any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such shares and present in person or by proxy at such meeting, but no votes shall be cast for such shares if a majority cannot agree.

Section 10. Voting. Every shareholder entitled to vote at any meeting shall be entitled to cast one vote, in person or by proxy, for each share of stock held by the shareholder. Where title to a share or shares is held by two or more shareholders, such shares shall be voted at a meeting only if all such shareholders are present in person or by proxy and are in agreement as to how such shares shall be voted. Unless otherwise provided by law or in the Corporation's Articles of Incorporation or these Bylaws, a majority of votes cast by shareholders shall be determinative. An authorization of the shareholders for the sale, lease, exchange or other disposition of all of the property and assets, with or without the good will of the Corporation, not in the usual and regular course of business, shall require the affirmative vote of the holders of a two-thirds majority of the shares of the Corporation entitled to vote.

Section 11. Inspectors of Election. In advance of any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment thereof. The number of inspectors shall be either one or three. If the Board of Directors so appoints either one or three such inspectors, that appointment shall not be altered at the meeting. If

inspectors of election are not so appointed, the Chairman of the Board or the President may, and on the request of a majority of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of such votes shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting or at the meeting by the Chairman of the Board or the President.

The duties of such inspectors shall include: determining the total outstanding number of shares of stock and the voting power of each share; the shares of stock represented at the meeting; the existence of a quorum; and the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; and determining the result and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III THE BOARD OF DIRECTORS

Section 1. Number. The Board of Directors shall consist of a number of persons, not less than three nor more than thirteen, to be fixed from time to time by the Board of Directors.

Section 2. Election. Directors shall be elected at the annual meeting of shareholders by a majority of those present, or represented by proxy, and voting. Any vacancy occurring in the Board of Directors in between annual meetings of the shareholders, due to death, resignation or any other cause including an increase in the number of Directors, may be filled by the affirmative vote of a majority of the remaining Directors although less than a quorum of the Board of Directors. The remaining Directors may appoint a person to fill the vacancy until the next annual meeting of shareholders. All Directors shall be sworn to the faithful performance of their duties.

Section 3. Qualification. No Director shall be required to be a shareholder of the Corporation. The President shall be a member of the Board of Directors. Directors shall hold office until their successors in office have been chosen and qualified. No Director shall be eligible for re-election as a Director of the Corporation after such Director shall have attained the age of 70; provided, however, that a majority of the disinterested members of the Board of Directors may waive such requirement upon a determination

that the continued service of such a Director will be beneficial to the Corporation and its shareholders.

Section 4. Removal. Any Director may be removed from office with or without cause by a vote of the holders of two-thirds of the shares entitled to vote at an annual meeting held inter alia for the purpose of electing Directors.

Section 5. Regular Meetings. The Board of Directors shall hold regular meetings not less frequently than quarterly on such dates and at such times as the Board may designate. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of shareholders.

Section 6. Special Meetings. Special meetings of the Board in lieu of or in addition to the regular meetings shall be held at such times as the Chairman of the Board, President or any four Directors may require.

Section 7. Notice. Notice of regular and special meetings shall be sent by the Secretary or President, by mailing, a written notice of such meeting, at least five days prior to the day of the meeting, or by sending notice via electronic transmission, including facsimile or e-mail, at least forty-eight hours prior to the time of the meeting, or by delivering notice in hand or orally by telephone at least twenty-four hours prior to the time of the meeting. Any Director may waive notice of any meeting in writing filed with the Secretary. Notice of the annual meeting of the Board shall not be required.

Section 8. Quorum. No less than a majority of Directors shall constitute a quorum for the transaction of business at the meetings of the Board, and the concurrence of a majority of those present at any meeting shall be necessary to give validity to any vote.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors or by a committee at a meeting may be taken without a meeting if written consent thereto, setting forth the action so taken, shall be signed by all of the Directors or by all of the members of the committee. The consent may be contained in a single document or may be contained in more than one document so long as the documents in the aggregate contain the required signatures.

Section 10. Duties and Powers. The Board of Directors shall be vested with the management and direction of the affairs of the Corporation and shall have and exercise all the powers possessed by the Corporation so far as such delegation of authority is not

inconsistent with the laws of the State of New Hampshire, the Articles of Incorporation and these Bylaws.

Section 11. Executive Committee: Other Committees. The Board of Directors, by resolution adopted by a majority of the full Board, may designate from its members an Executive Committee and one or more other committees each of which, subject to the limitations of the laws of the State of New Hampshire, shall have and may exercise all of the authority of the Board to the extent provided in these Bylaws or in any such resolution.

Section 12. Senior Directors. There shall be a class of Directors known as Senior Directors. Senior Directors, if any, shall be elected by the Directors each year at the annual meeting to fill such positions for the ensuing year and until their successors are duly qualified, or until their death, or until they shall resign or be removed by a vote of a majority of the full Board. Senior Directors shall be entitled to attend meetings of the Board of Directors with the privilege of speech, but they shall not vote.

ARTICLE IV OFFICERS

Section 1. Number. The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer, a Secretary and such other officers as the Directors may, from time to time, determine. Two or more offices may be held by the same person.

Section 2. Election. Each year at the annual meeting of the Board of Directors, the Directors shall determine the number of offices to be filled and shall elect officers to fill such positions for the ensuing year and until their successors are duly qualified, or until their death or until they shall resign or be removed in the manner hereinafter provided. Directors from time to time may fill any vacancy that may exist in any office and may elect such other officers as they may determine to be necessary to manage the affairs of the Corporation. Election or appointment of an officer, employee or agent, shall not of itself create contract rights. The Board of Directors may authorize the Corporation to enter into an employment contract with any officer in accordance with applicable law and regulation, but no such contract shall impair the right of the Board of Directors to remove any officer at any time in accordance with Section 3 of this Article IV. All officers shall be sworn to the faithful performance of their duties. The Directors shall require fidelity bonds for all officers with authority to handle funds or sign checks.

Section 3. Removal. The Board of Directors may at any time suspend the right of any officer to perform such officer's duties and may remove any officer with or without cause at any meeting of the Board by vote of a majority of the full Board, whenever, in its judgment, the best interests of the Corporation will be served thereby, but such removal, other than for cause, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Duties and Powers. The duties of certain officers shall be as specified in this Section 4, as otherwise provided in these Bylaws, and as determined from time to time by the Board of Directors or the Chief Executive Officer.

a. Chairman of the Board. The Chairman of the Board, if any, may be designated by the Directors as Chief Executive Officer of the Corporation. The Chairman of the Board, if any, shall preside at all meetings of the Board and shall exercise overall supervision of the officers and affairs of the Corporation.

b. President. The President shall be the Chief Executive Officer of the Corporation if the Chairman is not so designated and shall have the general management of the affairs of the Corporation as far as they are not specifically regulated by the shareholders or the Directors, including the Chairman of the Board, if any. The President shall preside at all the meetings of the Board in the absence of the Chairman or if no Chairman shall have been designated by the Directors.

c. Executive Vice President. A Vice President of the Corporation may be designated by the Board as Executive Vice President and in addition to the duties and powers provided in these Bylaws and otherwise delegated by the Board and the Chief Executive Officer, the Executive Vice President shall have the powers of the President during the absence or disability of the President.

d. Treasurer. The Treasurer shall negotiate loans and receive and disburse all other funds of the Corporation, and, for this purpose, shall have authority to sign checks upon any account of the Corporation in any bank or similar type of institution. The Treasurer shall supervise the keeping of the accounts of the Corporation in books which shall be the property of the Corporation and shall cause to be prepared periodic statements of the financial condition of the Corporation and shall submit such statements to the Board.

e. Secretary. The Secretary of the Corporation shall be a resident of the State of New Hampshire. The Secretary shall be registered with the Secretary of State of the State of New Hampshire as the registered agent. The Secretary shall record the proceedings of the meetings of shareholders and Directors showing the names of the

persons present. The Secretary may give notice of all meetings of the shareholders and the Directors required by these Bylaws.

ARTICLE V
INDEMNIFICATION

Section 1. Suits, etc., Other Than by or in the Right of the Corporation. The Corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative or investigative, other than an action by or in the right of the Corporation, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Suits, etc., by or in the Right of the Corporation. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which the person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of

the case, the person is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper.

Section 3. Scope of Indemnification. To the extent that a Director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 above, or in defense of any claim, issue or matter based on Section 1 or 2 above, he shall be indemnified against expenses, including attorneys, fees, actually and reasonably incurred by him in connection therewith.

Section 4. Determination of Indemnification. Any indemnification under Section 1 or 2 above, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or 2 above. This determination shall be made:

- a. By the Board of Directors by a majority of vote of a quorum consisting of Directors who were not parties to the action, suit or proceeding;
- b. By independent legal counsel in a written opinion if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Directors so directs; or
- c. By the shareholders.

Section 5. Payment of Expenses. Expenses, including attorneys' fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of the action, suit or proceeding as authorized in the manner provided in Section 4 above, upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay the amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

Section 6. Other Rights. The indemnification provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of that person.

Section 7. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee, agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against this liability under the provisions of this section.

ARTICLE VI CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Documents and Instruments. To the extent permitted by the laws of the State of New Hampshire, and except as otherwise prescribed by these Bylaws with respect to certificates for shares, the Chairman of the Board, President, and Vice President or the Treasurer shall be authorized to execute contracts, deeds, leases and all other documents. Notwithstanding the foregoing, the Board of Directors may by special vote authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks. Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by one or more officers, employees or agents of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in any of its duly authorized depositories as the Board of Directors may select.

ARTICLE VII CERTIFICATES FOR SHARES AND THEIR TRANSFERS; RESTRICTIONS

Section 1. Certificates for Shares. Certificates representing shares of capital stock of the Corporation shall be in such form as shall be determined by the Board of

Directors. Such certificates shall be signed by the Chief Executive Officer or by any other officer of the Corporation authorized by the Board of Directors, attested by the Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in the case of a lost or destroyed certificate, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Corporation shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record thereof or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporation. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

Section 3. Restrictions. All certificates shall bear a legend giving appropriate notice of any restrictions on sale or other pertinent matters.

ARTICLE VIII
PURCHASE OF SHARES; DISTRIBUTION
OF CAPITAL SURPLUS

Subject to the provisions of Article IV of the Articles of Incorporation and any other restrictions imposed by law, the Board of Directors may purchase the shares of the Corporation out of unreserved and unrestricted earned surplus and capital surplus of the Corporation available for that purpose and may distribute to its shareholders out of the capital surplus of the Corporation a portion of its assets, in cash or property.

ARTICLE IX
FISCAL YEAR; ANNUAL AUDIT

The fiscal year of the Corporation shall be the calendar year. The Corporation shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Board of Directors. The appointment of such accountants shall be subject to annual ratification by the shareholders.

ARTICLE X
INSPECTION OF BOOKS AND RECORDS BY SHAREHOLDERS

The shareholders of the Corporation shall have such right to inspect and copy the books and records of the Corporation as is provided by the New Hampshire Business Corporation Act, N.H. RSA 293-A, or any successor thereto, exercise of which right shall be subject to compliance with all notice or other requirements set forth therein, and subject to payment of reasonable copying or other fees as may be provided therein.

ARTICLE XI
DIVIDENDS

Subject to the laws of the State of New Hampshire, the Board of Directors may, from time to time, declare, and the Corporation may pay, dividends on its outstanding shares of capital stock.

ARTICLE XII
CORPORATE SEAL

The Board of Directors shall provide a corporate seal upon which the name of the Corporation, the year of incorporation and an emblem may appear.

ARTICLE XIII
AMENDMENTS

These Bylaws may be amended at any time by a majority of the full Board of Directors subject to repeal or change only by a vote of the holders of two-thirds of the shares entitled to vote at a meeting expressly called for that purpose, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

These Bylaws reflect amendments voted by the Board of Directors on September 28, 1984; October 31, 1984; March 7, 1986; April 21, 1995; June 9, 1995; January 12, 2001; June 1, 2001; November 15, 2002; and November 22, 2002.

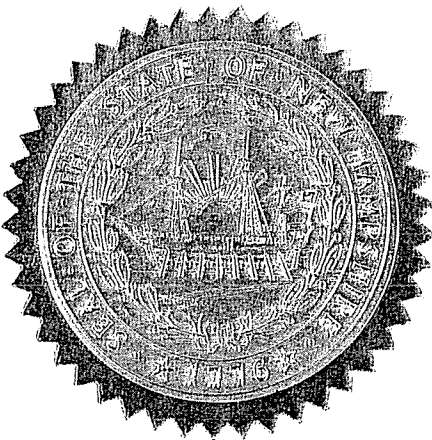
H:\LIB\DOCS\102D\0001\CORP\790487.DOC

State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PENNICHUCK EAST UTILITY, INC. is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on January 22, 1998. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.



In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 2nd day of May, A.D. 2008

William M. Gardner
Secretary of State

State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PENNICHUCK CORPORATION is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on June 19, 1852. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.

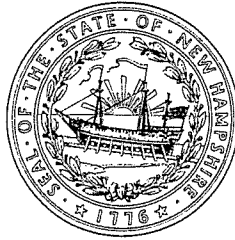


In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 21st day of May, A.D. 2008

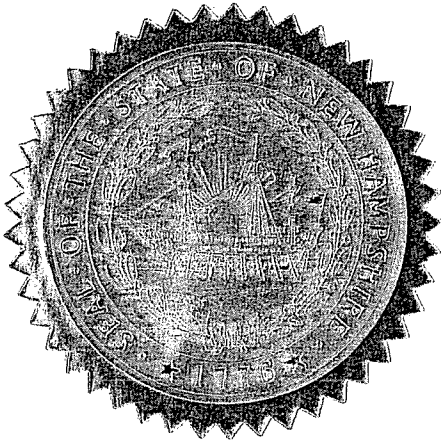
A handwritten signature in cursive script, appearing to read "Wm Gardner".

William M. Gardner
Secretary of State

NEW HAMPSHIRE DEPARTMENT OF STATE



I, *David M. Scanlan*, Deputy Secretary Of State, of the State of New Hampshire, do hereby certify that the Governor and Executive Council, at their meeting on July 16, 2008 approved **ITEM #59** Original Loan Agreement between the Department and Pennichuck East Utility, Inc., to finance water system improvements at the Maple Hills Development in Derry, in the amount of \$595,000. Subject to conditions as outlined in letter of July 2, 2008, under the provisions of RSA 486:14 and NH Admin Rules Env-Dw 1100. Effective upon G&C approval. 100% State Revolving Loan Funds.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this twenty-fifth day of July, in the year of Our Lord, two thousand and eight.

A handwritten signature in dark ink, appearing to read "DM Scanlan", is written over a horizontal line.

Deputy Secretary of State

RECEIVED

APR 09 2008

Steven V. Camerino

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-022

PENNICHUCK EAST UTILITY, INC.

Petition for Authority to Issue Long Term Debt

Order *Nisi* Approving Petition

ORDER NO. 24,844

April 4, 2008

I. BACKGROUND

On February 19, 2008, Pennichuck East Utility, Inc. (PEU) filed a petition with the Commission seeking authority to borrow up to \$595,000 in long term debt, pursuant to RSA 369. In support of its petition, PEU filed the direct testimony of Donald L. Ware, President of PEU, and William D. Patterson, Senior Vice President, Treasurer, and Chief Financial Officer of Pennichuck Corporation, PEU's parent company. PEU proposes to borrow from the State Revolving Loan Fund (SRF) administered by the Department of Environmental Services (DES) in order to undertake certain capital improvements at its Maple Hills community water system (Maple Hills) in the Town of Derry.

Maple Hills is a community water system that serves 182 single-family homes. The system is nearly 40 years old and its components are nearing the end of their useful lives. Currently PEU relies on two wells, four atmospheric tanks, and two hydropneumatic tanks to produce adequate water supply for its customers at Maple Hills. PEU treats the water to remove radon and sulfides, however, iron and manganese presently exceed the secondary Safe Drinking Water Act (SDWA) standards, and PEU needs to address treatment for both. PEU evaluated two options for repairing the water system and remedying water quality concerns. The first option

03/15/08

03/15/08

DW 08-022

- 2 -

was to continue with on-site supply, treatment, and storage, and replace the existing storage and hydropneumatic tanks, expand water treatment, construct a new water station to house the pumps and treatment systems, and install a new emergency generator. PEU indicates the capital costs for this option would be approximately \$950,000, with annual operating cost of about \$103,000.

The second option was to construct an interconnection with, and purchase water from, the Town of Derry Water Department. PEU indicates that it currently purchases water from Derry at two other locations. In this option, PEU would install about 1,240 lineal feet of 6" water main and a small booster station with emergency power. PEU would pay for purchased water at the Town of Derry's tariffed rate. The estimated capital cost of this option is \$593,985 with an estimated annual operating cost of \$86,858.

PEU qualifies for SRF funds which would be at an annual interest rate not to exceed 3.488% over a 20-year term. DES will make disbursements on the loan based on invoices submitted by contractors engaged by PEU. Interest will be applied to outstanding balances at an annual rate of 1% until the improvements are substantially completed and payments of principal and interest will begin six months thereafter.

On March 27, 2008, Commission Staff filed a letter recommending the Commission approve PEU's financing request. Staff indicated that it had reviewed PEU's petition and had undertaken discovery with respect to the issues raised in the petition. In particular, Staff evaluated the two options considered by PEU for the needed capital improvements at the Maple Hills system and concurred with PEU's choice of the option of interconnecting with the Town of Derry. Staff indicated that this option is the least cost option in terms of capital needed and operating cost.

II. COMMISSION ANALYSIS

Pursuant to RSA 369:1, public utilities engaged in business in this State may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be consistent with the public good. Analysis of the public good consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to ensure the public good is protected. See *Appeal of Easton*, 125 N.H. 205 (1984).

In the case at hand, PEU has requested authorization to borrow funds in an amount up to \$595,000 to complete a capital project at its Maple Hills community system in Derry. PEU proposes to enter into a 20-year State Revolving Loan through the DES at an interest rate not expected to exceed 3.488 percent annually. PEU will use these funds to install water main and a booster station with emergency power in order to purchase water from the Town of Derry. PEU states that the assets currently in service at Maple Hills, including wells, storage tanks, and hydropneumatic tanks, are approaching 40 years old and are nearing the end of their useful lives. If PEU continued to use these assets, it would need to add treatment to remove iron and manganese. PEU has examined the option of new on-site storage and treatment systems, as well as a new community water station, and compared it to the option of interconnecting with the Town of Derry for purchased water. It is clear that interconnecting with Derry for purchased water is the least cost option.

After review of PEU's filing, as well as Staff's recommendation, we are satisfied that the proposed project is reasonably necessary to provide safe and adequate service to customers. Our review of the petition must also consider the possible effect the proposed financing may have on

the overall cost of capital to ratepayers. SRF financing is among the lowest rate financing a water utility can access. PEU's loan under the SRF program will be for a 20-year term, will be issued at an interest rate not expected to exceed 3.488% annually, and interest will accrue during construction at a rate of just 1%. We are satisfied that this financing, in addition to the needed capital improvements at PEU's Maple Hills system, will benefit PEU's ratepayers and is consistent with the public good.

Lastly, we direct PEU to file executed copies of its loan documents when the loan is consummated. We will approve the SRF financing authority requested on the condition that the final terms are substantially similar to those proposed in the initial filing. If such terms vary significantly, we will require PEU to seek Commission approval.

Based upon the foregoing, it is hereby

ORDERED *Nisi*, that subject to the effective date below, the request to undertake the financing proposed, under the terms and conditions contained in Pennichuck East Utility, Inc.'s petition and as finally set forth by the Department of Environmental Services in the final loan documents, and for the purpose as outlined herein, is hereby APPROVED; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than April 14, 2008 and to be documented by affidavit filed with this office on or before May 5, 2008; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states

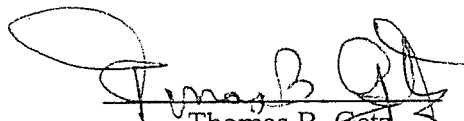
the reason and basis for a hearing no later than April 21, 2008 for the Commission's consideration; and it is

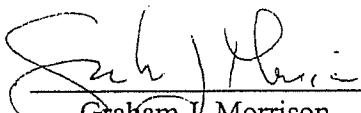
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 28, 2008; and it is


FURTHER ORDERED, that this Order *Nisi* shall be effective May 5, 2008, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Pennichuck East Utility, Inc. shall file with the Commission true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transaction contemplated herein.

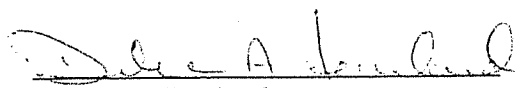
By order of the Public Utilities Commission of New Hampshire this fourth day of April, 2008.


Thomas B. Getz
Chairman


Graham J. Morrison
Commissioner


Clifton C. Below
Commissioner

Attested by:


Debra A. Howland
Executive Director & Secretary

CLOSING AGENDA

STATE OF NEW HAMPSHIRE STATE DRINKING WATER REVOLVING LOAN FUND

RE: LOAN TO PENNICHUCK EAST UTILITY, INC.
FOR MAPLE HILLS COMMUNITY SYSTEM
DERRY, NEW HAMPSHIRE
DATE: July 28, 2008

- | | | |
|----|--|-------|
| 1. | State of New Hampshire | "SNH" |
| 2. | Pennichuck East Utility, Inc. | "B" |
| 3. | Borrower's Counsel, Dwyer, Donovan & Pendleton | "BC" |
| 4. | Hinckley, Allen & Snyder, LLP | "HAS" |

No.	Item:	Responsible Party:
1.	Certified Copy of Articles of Incorporation of Borrower	B
2.	Certified Copy of Articles of Pennichuck Corporation	B
3.	Certified Bylaws of Borrower	B
4.	Certified Bylaws of Pennichuck Corporation	B
5.	Certificate of Existence of Borrower	B
6.	Certificate of Existence of Pennichuck Corporation	B
7.	Certificate of Corporate Resolution of Borrower	B
8.	Certificate of Resolution of Pennichuck Corporation	B
9.	Schedule of Costs (Budget)	B
10.	Loan Agreement	SNH
11.	Promissory Note	SNH
12.	Guaranty of Pennichuck Corporation	SNH
13.	Opinion of Counsel to Borrower and Pennichuck Corporation	B
14.	Public Utilities Commission Order	B
15.	Governor and Council approval	SNH
16.	399-B Disclosure	SNH

DISCLOSURE OF FINANCE CHARGES
STATE DRINKING WATER REVOLVING LOAN FUND

Pursuant to New Hampshire RSA Chapter 399-B:2

TO: **PENNICHUCK EAST UTILITY, INC.** (the "Borrower")

DATE:

Amount of Loan: \$595,000

Payable: As provided in the Borrower's Promissory Note of even date in the original principal amount of \$595,000.

Finance Charges: 1 percent until the interest Rate Change Date (as defined in the Note) then the lower of (A) 3.488 percent, or (B) 80 percent of the established 11 General Obligations Bond Index published during the first week of October before the Interest Rate Change Date (including a 1 percent administrative fee).

Late fee: 5 percent of a payment will be assessed if not paid within 7 days of its due date.

Above interest is based on the number of days elapsed over a 360 day year, as the case may be.

Recording and filing fees: \$ 0

Title search fee: \$ 0

Environmental Site Assessment: \$ 0

Appraisal: \$ 0

Lender's title insurance policy: \$ 0

PENNICHUCK EAST UTILITY, INC.

By: Donald L. Ware
Name: Donald L. Ware
Title: President



PENNICHUCK

PENNICHUCK EAST UTILITY, INC.

25 Manchester Street
P.O. Box 1947
Merrimack, NH 03054-1947
(603) 882-5191
Fax (603) 913-2305
www.pennichuck.com

August 4, 2008

Catherine Provencher, State Treasurer
Department of Treasury
State of New Hampshire
25 Capitol Street, Room 121
Concord, NH 03301

**Re: \$595,000 Loan (Loan) from the State of New Hampshire to
Pennichuck East Utility, Inc. (PEU)**

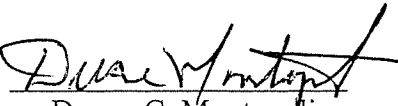
Dear Treasurer Provencher:

This letter is submitted to you per your request in connection with the closing of the Loan.

On July 25, 2008, the New Hampshire Public Utilities Commission (Commission) issued an Order approving a taking by the City of Nashua of substantially all of the assets of Pennichuck Water Works, Inc. (PWW). While the Commission's Order does not provide for the taking of any of the assets of PEU, it does acknowledge that the taking of PWW's assets will cause harm to the customers of PEU and of Pittsfield Aqueduct Company, Inc. (PAC). To mitigate that harm, the Commission ordered the City of Nashua, upon completion of the taking, to establish a mitigation fund in the amount of Forty Million Dollars (\$40,000,000) for the benefit of the customers of PEU and PAC. The details of the mitigation fund were not described in the Order and would be determined in a later proceeding at the Commission.

If the City completes the taking allowed by the Order (which cannot occur until all appeal rights have been exhausted and the Order is final), PEU will honor and pay its debts in accordance with their terms.

Very truly yours,
Pennichuck East Utility, Inc.

By: 
Name: Duane C. Montopoli,
Title: Chief Executive Officer