EXHIBIT J

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Arel: 'Superior offer' needed

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Maurice Arel, Pennichuck Corp.'s president and chief executive officer, said the company would only accept a "superior offer" from the city over Philadelphia Suburban's current offer.

"By superior, I don't mean $106 million plus one dollar," he said. If the city acquired Pennichuck, the corporation would "effectively be dissolved," Arel said.

That would subject the company's dissolved assets to federal income tax, Arel said. The book value of the assets is about $50 million, but debt of $27 million would be subtracted from the equation. That means the city would have to pay about 40 percent of $23 million, or $9.2 million in addition to the purchase price.

The city would also have to pay a $2.5 million fee to Philadelphia Suburban Corp. because the Pennsylvania-based corporation has that fee written into the merger agreement should Pennichuck accept another offer.

Pennichuck would also have to reimburse its financial adviser, SG Barr Devlin, some $1.5 million and that cost would have to be included in the city's offer, Arel said.

Because the city would buy the company for cash, as opposed to the tax-free stock for stock offering of Philadelphia Suburban, Pennichuck shareholders would be exposed to capital gains taxes.

Arel said his board of directors would likely ask the city for additional money to offset those taxes.

The city might try to take Pennichuck's assets through eminent domain, but those costs should be included in any fair eminent domain taking as well, Arel said.

The city's pursuit of Pennichuck could potentially kill the merger agreement that the company has already reached with Philadelphia Suburban. If that happens and then the city balks at the Pennichuck price tag and backs away from acquiring the company, "then they could open up themselves to a lawsuit," Arel said.

"That's something our board of directors would have to consider," he said.
