

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is entered into as of August 8, 2006 by and between the City of Nashua, New Hampshire ("Nashua"), a New Hampshire municipal corporation with an address of 229 Main Street, Nashua, New Hampshire 03060, and Pennichuck Corporation ("Pennichuck"), a New Hampshire business corporation with an address of 25 Manchester Street, Merrimack, New Hampshire 03054. In consideration of the covenants and conditions set forth below, Nashua and Pennichuck (collectively "the Parties" and individually a "Party") agree as follows:

1. Background.

The Parties (and in the case of Pennichuck, certain of its subsidiaries) are currently involved in an administrative proceeding ("Eminent Domain Case") before the New Hampshire Public Utilities Commission ("NHPUC"). The Parties have agreed to meet to explore whether there is a basis for further discussions regarding a possible resolution of their differences and, if they determine that such a resolution is possible, to continue their discussions with the aim of reaching a comprehensive settlement. All such discussions are referred to collectively below as "the Discussions". Neither Party has any obligation to continue to discuss a resolution of the Parties' disputes outside of the process before the NHPUC in the Eminent Domain Case, and their decision to participate in the Discussions is entirely voluntary.

The Parties agree that, in order to maximize the potential for the Discussions to be productive, and because Pennichuck's common stock is registered under the Securities Exchange Act of 1934 and is publicly traded, it is critical that the existence of the

Discussions, the substance thereof and any information exchanged during them be treated with the utmost confidentiality.

2. No Binding Effect.

The Discussions, whether conducted as settlement discussions, mediation or otherwise shall be entirely non-binding and neither Party shall have any obligation whatsoever arising from the Discussions unless such obligation is set forth in a written agreement signed by both Parties.

3. Confidentiality and Privilege.

The Parties understand and agree that because the common stock of Pennichuck is publicly traded and because of the nature of the Eminent Domain Case, any disclosure relating to the Discussions may cause substantial harm to the Parties and, in the case of Pennichuck, to its shareholders.

The Parties agree to maintain the confidentiality of the existence and substance of the Discussions. Any Communications, whether written or oral, between the Parties regarding the matters that are the subject of this agreement or the Discussions shall be kept in strict confidence and shall not be disclosed to any individual who is not identified on Exhibit A to this agreement, as it may be amended from time to time, except as may otherwise be expressly agreed in writing. "Communications" shall include, but not be limited to, the fact that the Discussions are occurring, the substance of any communications (whether conveyed orally or in writing) that are part of or in furtherance of the Discussions, and any other information that was conveyed or would inform another person that the Discussions are occurring. The Parties acknowledge the federal and state law prohibitions against and potential liability for trading on the basis of material

nonpublic information and for "tipping" other persons who might trade on such basis, and the Parties (including the persons identified on Exhibit A) will not engage in trading of Pennichuck's common stock during the pendency of the Discussions or while otherwise in possession of material nonpublic information concerning or potentially affecting Pennichuck.

A Party may seek to add names to the list set forth on Exhibit A by notifying the other Party in writing that the Party seeking to add a name intends to make disclosure to an additional individual and naming that individual (including identifying the individual's relationship to the disclosing Party) prior to making such disclosure. The Party receiving such notice shall have two business days to object to such disclosure. If a Party objects to the addition of any individual to Exhibit A, then such individual shall not be added to Exhibit A. As a condition precedent to any individual's name being added to Exhibit A, the individual shall sign duplicate originals of a statement in the form of Exhibit B, and one original shall be provided to each of the Parties; provided, however, that with the consent of the other Party, a Party proposing to add an additional individual's name to Exhibit A may have the individual's employer execute Exhibit B instead of the individual.

4. Privilege.

All Communications between the Parties shall be deemed privileged and shall be protected from disclosure to anyone (other than the persons identified on Exhibit A) as settlement discussions for purposes of all applicable rules of evidence, including specifically Rule 408 of the Federal Rules of Evidence and Rule 408 of the New Hampshire Rules of Evidence, which the Parties agree shall be deemed to apply to

proceedings before the NHPUC for purposes of enforcing this agreement.

All conduct, statements, promises, offers, views and opinions, whether oral or written, made by either of the Parties, their counsel, agents, employees or representatives in the course of the Discussions are highly confidential and shall be deemed to be work product and privileged. Such conduct, statements, promises, offers, views and opinions shall not be discoverable or admissible for any purpose, including impeachment, in litigation or any other proceeding of any kind in any forum involving any of the Parties, and shall not be disclosed to anyone not identified on Exhibit A. Evidence otherwise discoverable or admissible, including evidence that (i) is or becomes generally available to the public, other than as a result of a disclosure or use contrary to the terms of this agreement, (ii) is otherwise available on a nonconfidential basis prior to disclosure pursuant to this agreement, or (iii) becomes available on a nonconfidential basis from another source that is not prohibited from disclosing such evidence by a legal, contractual or fiduciary obligation, is not excluded from discovery or admission as a result of its use in the discussions contemplated by this agreement.

If a Party (or any individual listed under that Party's name on Exhibit A) or any of its representatives receives a request to disclose any information that is the subject of this agreement, the Party shall (a) notify the other Party immediately of the existence, terms, and circumstances surrounding such request; and (b) consult with the other Party on the advisability of taking legally-available steps to resist such request.

No document prepared for the purpose of, or in the course of, or pursuant to, the Discussions, or any copy thereof, is admissible as evidence, and disclosure of any such document shall not be compelled, in any action of any kind in any forum, in which,

pursuant to law, testimony can be compelled to be given, except that a copy of this agreement may be introduced into evidence in any administrative or court proceeding in which any person seeks the disclosure of the information which is the subject of this agreement, for the purpose of protecting the confidentiality of such information, provided that this Agreement is placed under seal. Financial records and any other information or documents which is first produced to a Party in the course of the Discussions and which had not previously been disclosed to that Party shall not thereafter become the subject of a data request or other request for production in the Eminent Domain Case.

5. Liability for Acts of Persons Engaged or Utilized by a Party.

Each Party agrees that it shall be responsible under this agreement for the actions or failures to act of any employee, agent, representative, consultant or other individual or entity engaged or utilized by that Party or to whom that Party has disclosed any information regarding the Discussions (other than the other Party and its identified representatives), whether such actions or failures to act were authorized by such Party or were within the scope of the individual's or entity's engagement by such Party, and whether or not the name of the individual whose conduct is at issue was added to Exhibit A.

6. Notices.

Any notice required or permitted to be given under this Agreement shall be deemed to have been duly given if delivered personally, or mailed by overnight courier service with proof of delivery or by registered mail, postage prepaid, return receipt requested to the person and address set forth below for such Party (and not to the Party's address shown above) or to such other address as such Party shall provide by written

notice. Notice delivered personally shall be deemed received as of actual receipt; mailed notices shall be deemed received one business day after sending by overnight courier, or five calendar days after the date of mailing by registered mail. In the case of any notice sent to Nashua, the notice shall be sent to:

Robert Upton, II, Esq.
Upton & Hatfield
23 Seavey Street
Conway, NH 03860

In the case of any notice sent to Pennichuck, the notice shall be sent to:

Steven V. Camerino, Esq.
McLane Law Firm
15 North Main Street
Concord, NH 03301

7. Enforcement.

The Parties acknowledges that the provisions of this Agreement are of crucial importance to each of them and that any damage caused by the breach of this Agreement by either of them would result in irreparable harm to the other for which money damages alone would not be adequate compensation. Accordingly, each Party agrees that if it violates any provision of this Agreement, the other Party shall, in addition to any other rights or remedies available at law:

(i) be entitled to equitable relief in any state court of competent jurisdiction in the State of New Hampshire, including, without limitation, a temporary injunction and permanent injunction; and

(ii) be entitled to hold the other Party liable for all costs and expenses resulting from such breach (including, without limitation, reasonable attorneys' fees and expenses in dealing with the breach and/or any suits or actions with regard thereto).

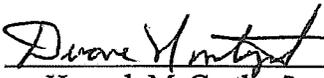
8. Entire Agreement; Modification.

This agreement contains the entire agreement of the Parties, and supersedes all prior agreements and undertakings, oral or written, between the Parties with respect to the subject matter hereof. This agreement may not be changed or terminated orally and may only be changed or terminated by a writing signed by the Party against whom such change or termination is sought to be enforced.

IN WITNESS WHEREOF, the Parties hereto have duly executed this agreement effective on the date first set forth above.

Pennichuck Corporation

Dated: 8/31/06

By: 
~~Hannah McCarthy~~ DUANE
President MONTOPOLI

City of Nashua

Dated: Aug 29, 2006

By: 
Bernard A. Streeter
Mayor