

Exhibit 16 - A feeding frenzy at the public trough

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The outcome of an investigation by federal and state security regulators into the conduct of Pennichuck Corp. and its former CEO Maurice Arel confirmed what many in the Nashua area have known for years - that Arel, his son and other close associates derived huge benefits from the development of hundreds of acres that should have been used to protect water quality for future generations.

In the ultimate act of arrogance, both the corporation and Arel deny any wrongdoing despite agreeing to a \$390,000 settlement. The \$270,000 portion of the fines that Arel will pay personally is a pittance compared to the fortune he amassed while converting watershed lands into housing and commercial developments.

It's a classic tale of abuse of power, of personal enrichment at the cost of the public good. As early as 1984, as Nashua's mayor, Arel was planting the seeds for the conversion of a low-profile water utility into a real estate development cash cow. He led the effort to rezone Pennichuck-owned land off the F.E. Everett Turnpike from rural-residential to industrial park.

The stage set, he left public office to become Pennichuck CEO and the feeding frenzy began. The land that would become the Southwood Park had been successfully rezoned, but a new turnpike exit at Tinker Road would be necessary to complete the picture. Thanks to the influence of real estate developer John Stabile, then chairman of the Senate Capital Budget Committee, the \$8.5 million exit won a place on the state's highway plans.

Stabile's efforts were generously rewarded in the years to come, as he became exclusive contractor for development of Pennichuck-owned land which, in a corporate shell game approved by regulators, was transferred to the for-profit and unregulated Southwood Corp. over the protests of Nashua's public officials.

Stabile was given the land with no money up front. After the houses or commercial properties were built, he paid Southwood. Not a cent of those profits went to help ratepayers in the Pennichuck system. Instead the 10 partnership agreements worth more than \$36 million enriched a handful of insiders while converting more than 1,000 acres of open land in Nashua and Merrimack into sprawl. Stabile, in turn, built Arel a \$390,000 home with a \$70,000 discount.

In filings with the Securities and Exchange Commission, Arel obscured the fact that all the Southwood work was going out on a no-bid basis to a single developer, that he had received favors from that developer, and that his son, Matthew, had obtained exclusive management rights on the properties. Had these facts been made known at the time, the public outcry would have brought this travesty to a halt. The motive behind the deception is obvious.

KEY POINTS

BACKGROUND:

State and federal security regulators announced a \$390,000 settlement with Pennichuck Corp. and its former CEO Maurice Arel stemming from SEC violations.

CONCLUSION: The fact that Arel denies any wrongdoing is consistent with the arrogance that marked his tenure as Pennichuck CEO.

Finally, when the land available for development was exhausted and there was nothing left for Pennichuck to do but manage a water system, Arel and his associates decided it was time to bail out. They negotiated a sale with an out-of-state water company that would have made them millionaires many times over. That sale fell through only because of the city's attempt to acquire the utility so that it could be managed, finally, in the public interest.

For Arel to now claim no wrongdoing while asserting his Fifth Amendment rights is consistent with the arrogance that marked his conduct as Pennichuck CEO. Fortunately, we live in a country where no one is untouchable and even those who think they are above the law may some day be called to account.