

1004-048

**Upton
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Please respond to the North Conway office

March 24, 2004



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Debra A. Howland
Executive Director and Secretary
Public Utilities Commission
8 Old Suncook Road
Concord, New Hampshire 03301-7319

Of Counsel

Frederic K. Upton

**Re: In The Matter Of The Determination Of The Fair Market
Value Of The Plant And Property Of Pennichuck Water Works, Inc.,
Pennichuck East Utility, Inc., And Pittsfield Aqueduct Company, Inc.**

Dear Ms. Howland:

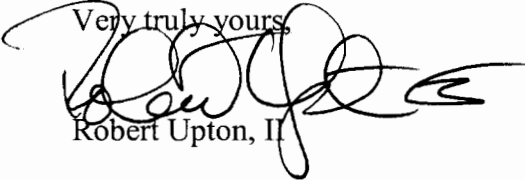
Hillsborough Office
8 School Street
PO Box 13
Hillsborough, NH
03244
603-464-5578
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I enclose herewith an original and 8 copies of a Petition for Valuation Pursuant to RSA 38:9 and Exhibits in the above-matter. I also enclose a diskette copy of the Petition as required by Puc 202.08. A copy of the Petition and Exhibits has been mailed to Michael W. Holmes, Consumer Advocate and Donald L. Correll, President and Chief Executive Officer of Pennichuck Water Works, Inc., Pennichuck East Utilities, Inc., and Pittsfield Aqueduct Company, Inc.

Attorneys At Law
Douglas S. Hatfield
Margaret-Ann Moran
Thomas T. Barry*
Matthew H. Upton
*Also Admitted In Virginia

Please issue the appropriate Order of Notice for publication and intervention.

Thank you for your anticipated assistance and cooperation.

Very truly yours,

Robert Upton, II

North Conway Office
23 Seavey Street
PO Box 2242
North Conway, NH
03860
603-356-3332
Fax 603-356-3932

RUII/dgg
Enclosures

www.upton-hatfield.com
mail@upton-hatfield.com

CC: Michael W. Holmes, Consumer Advocate
Donald L. Correll, President and CEO
Steven V. Camerino, Esquire

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE
DETERMINATION OF THE
FAIR MARKET VALUE OF
THE PLANT AND PROPERTY
OF PENNICHUCK WATER
WORKS, INC., PENNICHUCK
EAST UTILITY, INC., AND
PITTSFIELD AQUEDUCT
COMPANY, INC.

DOCKET NO. _____

PETITION FOR VALUATION PURSUANT TO RSA 38:9

The City of Nashua (hereinafter “Nashua” or the “City”) hereby files this Petition for the determination of the fair market value of the plant and property of Pennichuck Water Works, Inc., Pennichuck East Utilities, Inc., and Pittsfield Aqueduct Company, Inc., pursuant to RSA 38:9. In support of this Petition, Nashua states and alleges as follows:

1. Nashua is the second largest City in the State of New Hampshire with a population of 86,605 persons. The City was incorporated by Act of the New Hampshire Legislature in 1853 and presently operates under City Charter as a Mayor and Alderman form of city government. The City’s Mayor and Board of Alderman (the “BMA”) is charged with the duty and responsibility to protect and promote the general welfare of the City’s residents.

2. Pennichuck Water Works, Inc., (PWW) is a New Hampshire Corporation and a public utility as defined in RSA 362:2, with a principal place of business in Nashua, New Hampshire. PWW serves approximately 21,993 customers in the City of Nashua and the Towns of Amherst, Hollis, Merrimack and Milford, New Hampshire. PWW also owns and operates eleven community water systems in Bedford, East Derry, Epping, Milford, New Market,

Plaistow and Salem, New Hampshire. The primary source of water for PWW is the Pennichuck Brook and Merrimack River water sheds. The Pennichuck Brook watershed lies in the Towns of Nashua, Merrimack, Amherst, Milford and Hollis. The watershed drains to a chain of ponds, Stump Pond, Pennichuck Pond, Holtz Pond, Bowers Pond, Harris Pond and Supply Pond. Water is withdrawn from Harris Pond and brought to a water treatment plant. During drought or dry months, water from the Merrimack River is discharged to Bowers Pond to supplement the demand at the water treatment plant.

3. Pennichuck East Utility, Inc., (PEU) is a New Hampshire Corporation and a public utility as defined in RSA 362:2, with a principal place of business in Nashua, New Hampshire. PEU serves approximately 4,240 customers in the Towns of Atkinson, Derry, Hooksett, Londonderry, Pelham, Plaistow, Raymond, Sandown and Windham, New Hampshire. The primary source of water for PEU is a well system owned by the Town of Hudson, located in Litchfield, New Hampshire. This water is supplemented by water from the Manchester Water Works.

4. Pittsfield Aqueduct Company (PAC) is a New Hampshire Corporation and a public utility as defined in RSA 362:2, with a principal place of business in Nashua, New Hampshire. PAC serves approximately 633 customers in the Town of Pittsfield, New Hampshire. The sole source of water for PAC is Barry Pond, located in Pittsfield, New Hampshire.

5. PWW, PEU and PAC are wholly owned subsidiaries of Pennichuck Corporation ("Pennichuck") a holding company with a principal place of business in Nashua, New Hampshire. Pennichuck also owns two other wholly owned subsidiaries, Pennichuck Water Service Company and the Southwood Corporation, neither of which is a public utility as defined by RSA 362:2.

6. By Petition dated June 14, 2002, PWW, PEU and PAC petitioned the New Hampshire Public Utilities Commission ("The Commission") pursuant to RSA 369:8 (II) and RSA 374:33 to approve the indirect acquisition of PWW, PEU and PAC by Philadelphia Suburban Corporation ("PSC") to be accomplished through the merger of Pennichuck, the parent company of PWW, PEU and PAC into a wholly owned subsidiary of PSC.

7. Concerned about the effect of the merger on its businesses and residents and its own use (fire protection and domestic), the City intervened on July 2, 2002 in the Docket established by the Commission regarding the merger (DWO2-126) and engaged consultants to conduct a comprehensive review of the Pennichuck system. Simultaneously, the City participated in discussions and meetings with citizens and representatives of other municipalities relating to the formation of a regional water district.

8. By report dated November 1, 2002, the City's consultants, Rizzo Associates and George E. Sansoucy, P.E., inter alia, recommended that the City consider public ownership of the Pennichuck System, either on its own or through a regional water authority.

9. On November 26, 2002, the Board of Alderman, pursuant to RSA 38:3, by a vote of 14 to 1, determined that it was expedient for the City to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of the City and others. The Board further authorized the Mayor to support, along with other municipalities, proposed legislation to establish regional water districts, and in particular, to support the formation of a regional water district including the City. The Mayor was further authorized to negotiate terms for City participation in such a regional water district. The Resolution of the Board of Alderman was approved by the Mayor on December 2, 2002. A copy of the November 26, 2002 Resolution is attached as Exhibit A.

10. On January 14, 2003, pursuant to RSA 38:3, a special meeting of the voters of the City was held as a special election for the purpose of confirming the adoption of the Resolution of the Board of Alderman, determining that it was expedient for the City to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of the City and others. The resolution of the Board of Alderman was confirmed by a margin of 6,525 to 1,867 or a 78% majority. The overwhelming vote of the Board of Aldermen, confirmed by the voters of Nashua creates a rebuttable presumption that establishing and acquiring a water works system are in the public interest under RSA 38:3.

11. Notwithstanding the rebuttable presumption created under RSA 38:3, the City asserts that it is in the public interest and there is a public good for it to acquire the assets of PWW, PEU and PAC because of the benefits associated with supplying its water users and the other water users in the Pennichuck rate base with relatively inexpensive water; and that there is no greater public harm sufficient to rebut the RSA 38:3 presumption. In re Public Service Company of New Hampshire, Petition for Valuation of J. Brodie Smith Hydro-Electric Station, DE 00-211, Order No. 24,086, November 15, 2000.

12. On February 4, 2003, Pennichuck and PSC terminated the Merger by mutual agreement.

13. On February 5, 2003, the City, pursuant to RSA 38:6, notified PWW, PEU and PAC of the vote to establish a water works system and to acquire their assets and made inquiry as to whether each of them elected to sell that portion of its plant identified by the City. Copies of the Notice to PWW, PEU and PAC are attached as Exhibits B, C, and D, respectively.

14. On February 20, 2003, House Bill 361, which provides for the creation of regional water districts with bonding powers under RSA Chapter 33-B, passed the New Hampshire House. It was subsequently approved by the Senate and signed into law by the Governor, effective July 18, 2004, as Laws 2003, Chapter 281.

15. On March 25, 2003, PWW, PEU and PAC responded to the City's Notice and Inquiry, pursuant to RSA 38:7, in the negative. Copies of the responses of PWW, PEU and PAC are attached as Exhibits E, F, and G, respectively.

16. The City asserts that the following Statutes authorize it to acquire assets beyond its City boundaries: RSA 38:2, 6, 9, 10, 11, and 14. Acquiring such assets is further in the public interest because of the passage of Chapter 281 and Nashua's participation in, and support of, a regional water district. It is the present intention of Nashua, upon completion of the acquisition of the assets of PWW, PEU and PAC and the successful negotiation of a satisfactory regional water district charter, to convey or otherwise transfer such assets to the newly formed regional water district.

17. Based upon its investigation, Nashua has determined that there are no significant impediments or barriers to acquisition of these assets; that the acquisition by Nashua would be in the public interest; and that acquisition, ownership and control of these facilities by Nashua, or the regional water district, is essential to the economic viability and orderly economic growth of the City and Region.

18. Following the negative response by PWW, PEU and PAC on March 25, 2003, the parties engaged in negotiations pursuant to which Nashua would have acquired all of the assets of Pennichuck, including those of PWW, PEU and PAC. Those negotiations were terminated by Pennichuck on January 27, 2004.

Pennichuck filed a Petition for Declaratory Judgment (the "Petition") with the Hillsborough County Superior Court, Southern District, seeking a ruling that RSA 38, by failing to provide a jury trial fails to provide it equal protection under the N.H. Constitution; that Nashua's failure to file this petition immediately has deprived it of its right to engage in commerce and constitutes an unconstitutional temporary and permanent taking of its private property rights; that the period for Nashua to file this petition has expired because of a short limitations period and laches; and that Nashua may not acquire any property outside its limits. The Petition is returnable April 6, 2004. A copy of the Petition is attached as Exhibit H.

20. Pursuant to RSA 38:9, if the municipality and the utility fail to agree upon a price or cannot agree as to how much of the plant and property lying within or without the municipality the public interest requires the municipality to purchase, either the municipality or the utility may petition the Commission for a determination of these questions. Following the termination of the negotiations by Pennichuck, Nashua has determined that agreement is not possible.

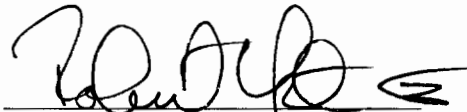
WHEREFORE, the City of Nashua, respectfully requests an Order or other directive of the Commission providing for the following:

- a. Granting this Petition for a determination of the fair market value of the plant and property of PWW, PEU and PAC;
- b. Finding that the acquisition of the assets of PWW, PEU and PAC by the City is in the public interest.
- c. Directing the Executive Director and Secretary of the Commission to open a Docket for determination of the fair market value of such plant and property; and

- d. Taking all other procedural and substantive actions necessary to determine the fair market value of such plant and property and to allow the City of Nashua to acquire the same.

Respectfully submitted,
CITY OF NASHUA

By its attorneys:
Upton & Hatfield, LLP



Robert Upton, II, Esquire
23 Seavey Street – PO Box 2242
North Conway, NH 03860
(603)356-3332
ru2@upton-hatfield.com

Dated: March 22, 2004

Nashua Corporation Counsel
David R. Connell, Esquire
229 Main Street – Box 2019
Nashua, NH 03061-2019
(603) 589-3250
connelld@ci.nashua.nh.us

EXHIBIT A



RESOLUTION

ENDORISING AND ENCOURAGING THE CREATION OF A REGIONAL WATER DISTRICT, PROVIDING FOR MUNICIPAL ACQUISITION OF THE PUBLIC WATER WORKS SYSTEM AND PURSUING POSSIBLE CITY MEMBERSHIP IN A REGIONAL WATER DISTRICT ON MUTUALLY BENEFICIAL TERMS

CITY OF NASHUA

In the Year Two Thousand and Two

RESOLVED by the Board of Aldermen of the City of Nashua

WHEREAS the Board of Aldermen of the City of Nashua finds that the maintenance of an adequate supply of clean, affordable drinking water is essential to the viability of any community; and

WHEREAS the Board of Aldermen of the City of Nashua finds that the maintenance of an adequate supply of water for the protection of life and property is essential to the viability of any community; and

WHEREAS the Board of Aldermen of the City of Nashua finds that the maintenance of an adequate supply of clean, affordable water to be used for commercial purposes within the City is essential to the economic viability and orderly economic growth of the community; and

WHEREAS the City of Nashua derives its supply of water in part from the Pennichuck Brook Watershed, which traverses several other communities, and in part from the Merrimack River, which traverses many other communities; and

WHEREAS the Board of Aldermen of the City of Nashua finds that in order to obtain an adequate supply of clean, affordable water for drinking and other purposes, substantial actions must be taken in the future to re-invest the revenues of the water company in the enhancement of the system, in the maintenance of the system, and in protection of the source of supply of the system; and

WHEREAS the Board of Aldermen of the City of Nashua finds that these purposes can best be served by public ownership of all or a portion of the water works system serving the inhabitants of the City and others; and

Page Two

WHEREAS the Board of Aldermen of the City of Nashua finds that the acquisition and maintenance of such system can and should be accomplished via the issuance of revenue bonds based on anticipated revenues, and not upon general obligation bonds of a community; and

WHEREAS the Board of Aldermen of the City of Nashua finds that the maintenance of said water works system may best be served by the formation of a regional water district representing the several towns and cities which are impacted by the operation of the water works system; but

WHEREAS the Board of Aldermen of the City of Nashua finds that creation of an appropriate district requires first the passage of adequate enabling legislation, and second the ratification by the other communities in such region, and that such ratification shall require time to be accomplished; and

WHEREAS the Board of Aldermen of the City of Nashua finds that time is of the essence in the protection of its long term interests in the water works system;

WHEREAS the Mayor has recommended public ownership of the water works system;

NOW THEREFORE BE IT RESOLVED by the Board of Aldermen of the City of Nashua that the following actions be taken:

Based on the findings of the Board of Aldermen set forth above and in accordance with RSA 38:3, the Board hereby determines that it is expedient for the City to establish a water works system and, in order to establish such water works system, to acquire all or a portion of the water works system currently serving the inhabitants of the City and others.

Pursuant to RSA 38:3, upon passage of this resolution, a special meeting of the voters of the City shall be held as a special election on January 14, 2003 for the purpose of confirming the adoption of this resolution of the Board to establish a water works system of the City by voting on the following question: "Shall the resolution of the Board of Aldermen adopted on November 26, 2002 determining that it is expedient for the City to establish a water works system and, in order to establish such water works system, to acquire all or a portion of the water works system currently serving the inhabitants of the City and others be confirmed?"

Following a majority vote of the qualified voters at said special meeting confirming the establishment of a water works system, the Mayor shall, pursuant to RSA 38:6, promptly introduce a resolution to the Board of Aldermen (i) identifying the portions of the water works system currently serving

Page Three

the inhabitants of the City and others determined to be necessary for the City's water works system and in the public interest to acquire, and (ii) authorizing a notice to be sent, within 30 days of said special meeting, to each utility supplying and distributing water for sale to the inhabitants of the City and others informing such utilities about the vote of the City to establish a water supply system and inquiring as to the utilities' willingness to sell to the City all or any portion of the existing water works system that it owns which the Board determines to be necessary for the water works system of the City.

The Mayor shall convey by letter to the honorable state legislative delegation of the City, to the Nashua Regional Planning Commission, and to the surrounding communities the strong support of the City in the passage of proposed legislation to extend the ability to create intermunicipal agencies to form regional water districts; and the strong support of the City in formation of a regional water district on mutually beneficial terms.

The Mayor is authorized to respond to the Public Utilities Commission on behalf of the City with respect to the pending acquisition of Pennichuck Corporation by Philadelphia Suburban Corporation in a manner which is consistent with the actions authorized in this resolution.

Upon acquisition of the water works system, the Mayor is authorized to negotiate proposed terms for City participation in a mutually beneficial regional water district, subject to approval by the Board of Aldermen, and to do preliminary planning for an orderly transition to such a regional water district.

PASSED BY THE BOARD OF ALDERMEN – NOVEMBER 26, 2002

APPROVED BY THE MAYOR – DECEMBER 2, 2002

ATTEST: PAUL R. BERGERON, CITY CLERK

R.02-127
Final passage
as amended

ROLL CALL
 OF THE
 BOARD OF ALDERMEN
 2002-2003

OFFICE	NAME	YES	NO
Alderman-at-Large	JAMES R. TOLLNER	1	
Alderman-at-Large	STEVEN A. BOLTON		1
Alderman-at-Large	FREDERICK BRITTON	2	
Ward Three	KEVIN E. GAGE	3	
Alderman-at-Large	DAVID W. DEANE	4	
Ward Four	MARC W. PLAMONDON	5	
Ward Nine	SCOTT A. COTE	6	
Ward Five	BRIAN S. MCCARTHY	7	
Ward Eight	STEPHEN C. LIAMOS	8	
Ward Two	TIMOTHY B. NICKERSON	9	
Alderman-at-Large	PAULA J. JOHNSON	10	
Ward Seven	LORI CARDIN	11	
Ward Six	ROBERT A. DION	12	
Ward One	KEVIN MCAFFEE	13	
Alderman-at-Large	DAVID ROOTOVICH	14	
TOTAL			

CERTIFICATION

I hereby certify that the roll call that appears hereon is a true and accurate copy of the record maintained by the Office of the City Clerk and represents the Roll Call Vote taken on Resolution 02-127 "Endorsing and encouraging the creation of a regional water district, providing for municipal acquisition of the public water system and pursuing possible city membership in a regional water district on mutually beneficial terms" which was voted on at the November 26, 2002 meeting of the Board of Aldermen.

WITNESS my hand and seal of the said City of Nashua New Hampshire this 27th day of November 2002.

A true copy.
 Attest:

Paul R. Bergeron
 Paul R. Bergeron City Clerk

EXHIBIT B

FEB -7 2003



Mayor Bernard A. Streeter
Nashua, New Hampshire

February 5, 2003

Maurice Arel, CEO
Pennichuck Water Works, Inc.
P.O. Box 448
Nashua, New Hampshire 03061

Re: *Notice under RSA 38:6*

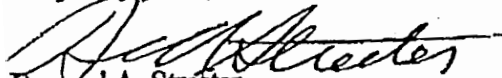
Dear Mr. Arel:

Pursuant to RSA 38:6 I have been authorized by the Nashua Board of Aldermen to notify Pennichuck Water Works, Inc. of the confirming vote of the majority of qualified voters of the City of Nashua on January 14, 2003 under RSA 38:3 to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others.

I have been further authorized by the Nashua Board of Aldermen to notify Pennichuck Water Works, Inc. that the Nashua Board of Aldermen have determined that all of the plant and property of Pennichuck Water Works, Inc. located within and without Nashua is necessary for municipal water utility service and in the public interest for the City to acquire. Such plant and property includes but is not limited to the items attached as Exhibit A.

I have been further authorized by the Nashua Board of Aldermen to inquire whether the company elects to sell the plant and property identified above to the City of Nashua. In accordance with RSA 38:7 you have sixty (60) days upon receipt of this inquiry to respond.

Very truly yours,


Bernard A. Streeter
Mayor

Enclosure

cc: Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company, Inc.
Pennichuck Corporation

Sesquicentennial

Nashua City Hall • Mayor's Office • 229 Main St. • Nashua, New Hampshire, 03061-2019
603.589.3260 • Fax 603.594.3450
Email mayorsoffice@ci.nashua.nh.us

EXHIBIT A

All the real and tangible personal property of the water utilities that comprise a complete and functioning water utility including, but not limited to, all the property reported to the N.H. Public Utilities Commission as utility plant in service, construction work in progress, completed construction not classified and property held for future utility use.

The property above is comprised of, but not limited to:

Land and rights to land on which utility property and fixtures are located including property and property rights for watershed protection.

Structures and improvements housing water utility equipment and devices.

Lakes, reservoirs, dams, intakes and appurtenances over or through which water is obtained.

Treatment plants and treatment process control equipment.

Wells and well water treatment systems.

Transmission and distribution mains and appurtenances.

Pumping stations, storage tanks and storage reservoirs including control equipment and telemetry systems.

Water main valves, pressure reducers, altitude valves, flow control valves and similar devices.

Hydrants and hydrant fixtures.

Services, meters and meter reading devices.

Tools, shop and garage equipment.

Laboratory equipment.

Communications equipment associated with the remote control and operation of other utility devices.

The original paper records of all the items below where such records have been maintained and the electronic records of the same items. This list is intended to outline the scope of records that should be being maintained by the company and are required to support a functioning and functional water utility system. It specifically includes all computer software except commercial-off-the-shelf software readily available in the 2003 market place, licenses for custom software and computer data in whatever formats it is normally stored. This data is for each and every system and sub-system being acquired and is for data and information as of the closing date of the acquisition of the physical assets.

EXHIBIT A

The following list is of records that should be found to minimally support water utilities of the size and complexity of the company.

For equipment generally

- Purchase orders and invoices

- Manufacturer's literature including shop drawings, specification sheets, maintenance and operating instructions

- Maintenance records and data logs or records

For financial records generally

- Invoices and statements for all expenses summarized in annual reports to the N.H. Public Utilities Commission

- Continuing property records for all assets summarized in annual reports to the N.H. Public Utilities Commission

- Contracts and purchase orders for all goods and services not received

Wells and associated treatment systems

- Feasibility and need studies

- Design, construction and as built plans and shop drawings

- Operating and maintenance manuals and instructions

- Operating procedures and instructions

- Applications and permits for construction and operation from state and federal regulating agencies

- Applications for operating licenses and operating permits or authorizations

- Maintenance records

- Process control records

- Operating records

- Finished water records

- Laboratory test procedures and records of all tests performed

- Maintenance contracts with outside vendors or suppliers

- Operating expense records, including purchase orders, invoices and contracts

EXHIBIT A

Customer accounts

Customer account records including billings and basis for billings, payments received and credited, credit arrangements, etc.

Customer deposits subject to refund with supporting documents

Customer advances subject to refund with supporting contracts

Cross references and indices of customer accounts

System component records

Hydrant records including installation date and location details, manufacturer's data sheets and maintenance records

Service connection records including installation date and location details

Meter records including location of installed meters and remote reading devices, installation date and calibration records

Meter records for meters in the shop or inventory including manufacturer's data and instruction sheets, calibration records and installation history

Valve records including details of locations, manufacturer's data and instruction sheets, operation and maintenance history

For system operation

Feasibility and need studies

Meter calibration and maintenance plans

Valve exercising plans

Flushing plans

Plans and drawings of the system and all hydraulic modeling

Leak studies and action plans for leak reduction

Repair records

Plans and operating manuals and instructions for system operators including schematics and other details of SCADA systems, control set points, relief and altitude valve settings and the like

Hazardous materials records, material data sheets and hazmat plans and SARA Title I records and materials

Engineering records

Design, construction and as built plans and shop drawings for all mains, appurtenances to mains, pumping stations, storage tanks and control equipment

Design, construction and as built plans and shop drawings for all buildings and structures.

EXHIBIT A

All correspondence, studies, applications, licenses and permits related to past, present and future withdrawal of water from every source including the Merrimack River, Pennichuck Brook, Berry Pond and well fields.

All state, city and town permits, licenses and approvals for water utility activities

Water quality studies and reports

Other records

Orders and consent orders with and between any federal, state or local agency

Deeds and easements

Purchase and sales agreements and bills of sale for all tangible property acquired prior to this closing

EXHIBIT C

FEB - 7 2003



Bernard A. Streeter
Nashua, New Hampshire

February 5, 2003

Maurice Arel, CEO
Pennichuck East Utility, Inc.
P. O. Box 448
Nashua, New Hampshire 03061

Re: *Notice under RSA 38:6*

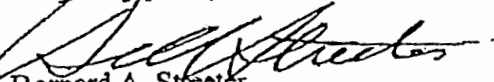
Dear Mr. Arel:

Pursuant to RSA 38:6 I have been authorized by the Nashua Board of Aldermen to notify Pennichuck East Utility, Inc. of the confirming vote of the majority of qualified voters of the City of Nashua on January 14, 2003 under RSA 38:3 to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others.

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Very truly yours,


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cc: Pennichuck Water Works, Inc.
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Sesquicentennial

Nashua City Hall ♦ Mayor's Office ♦ 229 Main St. ♦ Nashua, New Hampshire, 03061-2019
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The property above is comprised of, but not limited to:

Land and rights to land on which utility property and fixtures are located including property and property rights for watershed protection.

Structures and improvements housing water utility equipment and devices.

Lakes, reservoirs, dams, intakes and appurtenances over or through which water is obtained.

Treatment plants and treatment process control equipment.

Wells and well water treatment systems.

Transmission and distribution mains and appurtenances.

Pumping stations, storage tanks and storage reservoirs including control equipment and telemetry systems.

Water main valves, pressure reducers, altitude valves, flow control valves and similar devices.

Hydrants and hydrant fixtures.

Services, meters and meter reading devices.

Tools, shop and garage equipment.

Laboratory equipment.

Communications equipment associated with the remote control and operation of other utility devices.

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- Maintenance records and data logs or records

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- Continuing property records for all assets summarized in annual reports to the N.H. Public Utilities Commission

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Wells and associated treatment systems

- Feasibility and need studies

- Design, construction and as built plans and shop drawings

- Operating and maintenance manuals and instructions

- Operating procedures and instructions

- Applications and permits for construction and operation from state and federal regulating agencies

- Applications for operating licenses and operating permits or authorizations

- Maintenance records

- Process control records

- Operating records

- Finished water records

- Laboratory test procedures and records of all tests performed

- Maintenance contracts with outside vendors or suppliers

- Operating expense records including purchase orders, invoices and contracts

EXHIBIT A

Customer accounts

Customer account records including billings and basis for billings, payments received and credited, credit arrangements, etc.

Customer deposits subject to refund with supporting documents

Customer advances subject to refund with supporting contracts

Cross references and indices of customer accounts

System component records

Hydrant records including installation date and location details, manufacturer's data sheets and maintenance records

Service connection records including installation date and location details

Meter records including location of installed meters and remote reading devices, installation date and calibration records

Meter records for meters in the shop or inventory including manufacturer's data and instruction sheets, calibration records and installation history

Valve records including details of locations, manufacturer's data and instruction sheets, operation and maintenance history

For system operation

Feasibility and need studies

Meter calibration and maintenance plans

Valve exercising plans

Flushing plans

Plans and drawings of the system and all hydraulic modeling

Leak studies and action plans for leak reduction

Repair records

Plans and operating manuals and instructions for system operators including schematics and other details of SCADA systems, control set points, relief and altitude valve settings and the like

Hazardous materials records, material data sheets and hazmat plans and SARA Title I records and materials

Engineering records

Design, construction and as built plans and shop drawings for all mains, appurtenances to mains, pumping stations, storage tanks and control equipment

Design, construction and as built plans and shop drawings for all buildings and structures.

EXHIBIT A

All correspondence, studies, applications, licenses and permits related to past, present and future withdrawal of water from every source including the Merrimack River, Pennichuck Brook, Berry Pond and well fields.

All state, city and town permits, licenses and approvals for water utility activities

Water quality studies and reports

Other records

Orders and consent orders with and between any federal, state or local agency

Deeds and easements

Purchase and sales agreements and bills of sale for all tangible property acquired prior to this closing

EXHIBIT D

FEB - 7 2003



Mayor Bernard A. Strzeter
Nashua, New Hampshire

February 5, 2003

Maurice Arel, CEO
Pittsfield Aqueduct Company, Inc.
P. O. Box 448
Nashua, New Hampshire 03061

Re: *Notice under RSA 38:6*

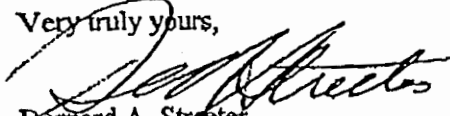
Dear Mr. Arel:

Pursuant to RSA 38:6 I have been authorized by the Nashua Board of Aldermen to notify Pittsfield Aqueduct Company, Inc. of the confirming vote of the majority of qualified voters of the City of Nashua on January 14, 2003 under RSA 38:3 to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others.

I have been further authorized by the Nashua Board of Aldermen to notify Pittsfield Aqueduct Company, Inc. that the Nashua Board of Aldermen have determined that all of the plant and property of Pittsfield Aqueduct Company, Inc. located within and without Nashua is necessary for municipal water utility service and in the public interest for the City to acquire. Such plant and property includes but is not limited to the items attached as Exhibit A.

I have been further authorized by the Nashua Board of Aldermen to inquire whether the company elects to sell the plant and property identified above to the City of Nashua. In accordance with RSA 38:7 you have sixty (60) days upon receipt of this inquiry to respond.

Very truly yours,


Bernard A. Strzeter
Mayor

Enclosure

cc: Pennichuck Water Works, Inc.
Pennichuck East Utility, Inc.
Pennichuck Corporation

Sesquicentennial
Nashua City Hall ♦ Mayor's Office ♦ 229 Main St. ♦ Nashua, New Hampshire, 03061-2019
603.589.3260 ♦ Fax 603.594.3450
Email mayorsoffice@ci.nashua.nh.us

EXHIBIT A

All the real and tangible personal property of the water utilities that comprise a complete and functioning water utility including, but not limited to, all the property reported to the N.H. Public Utilities Commission as utility plant in service, construction work in progress, completed construction not classified and property held for future utility use.

The property above is comprised of, but not limited to:

Land and rights to land on which utility property and fixtures are located including property and property rights for watershed protection.

Structures and improvements housing water utility equipment and devices.

Lakes, reservoirs, dams, intakes and appurtenances over or through which water is obtained.

Treatment plants and treatment process control equipment.

Wells and well water treatment systems.

Transmission and distribution mains and appurtenances.

Pumping stations, storage tanks and storage reservoirs including control equipment and telemetry systems.

Water main valves, pressure reducers, altitude valves, flow control valves and similar devices.

Hydrants and hydrant fixtures.

Services, meters and meter reading devices.

Tools, shop and garage equipment.

Laboratory equipment.

Communications equipment associated with the remote control and operation of other utility devices.

The original paper records of all the items below where such records have been maintained and the electronic records of the same items. This list is intended to outline the scope of records that should be being maintained by the company and are required to support a functioning and functional water utility system. It specifically includes all computer software except commercial-off-the-shelf software readily available in the 2003 market place, licenses for custom software and computer data in whatever formats it is normally stored. This data is for each and every system and sub-system being acquired and is for data and information as of the closing date of the acquisition of the physical assets.

EXHIBIT A

The following list is of records that should be found to minimally support water utilities of the size and complexity of the company.

For equipment generally

- Purchase orders and invoices

- Manufacturer's literature including shop drawings, specification sheets, maintenance and operating instructions

- Maintenance records and data logs or records

For financial records generally

- Invoices and statements for all expenses summarized in annual reports to the N.H. Public Utilities Commission

- Continuing property records for all assets summarized in annual reports to the N.H. Public Utilities Commission

- Contracts and purchase orders for all goods and services not received

Wells and associated treatment systems

- Feasibility and need studies

- Design, construction and as built plans and shop drawings

- Operating and maintenance manuals and instructions

- Operating procedures and instructions

- Applications and permits for construction and operation from state and federal regulating agencies

- Applications for operating licenses and operating permits or authorizations

- Maintenance records

- Process control records

- Operating records

- Finished water records

- Laboratory test procedures and records of all tests performed

- Maintenance contracts with outside vendors or suppliers

- Operating expense records including purchase orders, invoices and contracts

EXHIBIT A

Customer accounts

Customer account records including billings and basis for billings, payments received and credited, credit arrangements, etc.

Customer deposits subject to refund with supporting documents

Customer advances subject to refund with supporting contracts

Cross references and indices of customer accounts

System component records

Hydrant records including installation date and location details, manufacturer's data sheets and maintenance records

Service connection records including installation date and location details

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Meter records for meters in the shop or inventory including manufacturer's data and instruction sheets, calibration records and installation history

Valve records including details of locations, manufacturer's data and instruction sheets, operation and maintenance history

For system operation

Feasibility and need studies

Meter calibration and maintenance plans

Valve exercising plans

Flushing plans

Plans and drawings of the system and all hydraulic modeling

Leak studies and action plans for leak reduction

Repair records

Plans and operating manuals and instructions for system operators including schematics and other details of SCADA systems, control set points, relief and altitude valve settings and the like

Hazardous materials records, material data sheets and hazmat plans and SARA Title I records and materials

Engineering records

Design, construction and as built plans and shop drawings for all mains, appurtenances to mains, pumping stations, storage tanks and control equipment

Design, construction and as built plans and shop drawings for all buildings and structures.

EXHIBIT A

All correspondence, studies, applications, licenses and permits related to past, present and future withdrawal of water from every source including the Merrimack River, Pennichuck Brook, Berry Pond and well fields.

All state, city and town permits, licenses and approvals for water utility activities

Water quality studies and reports

Other records

Orders and consent orders with and between any federal, state or local agency

Deeds and easements

Purchase and sales agreements and bills of sale for all tangible property acquired prior to this closing

EXHIBIT E

PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

Pennichuck Water

March 25, 2003

Honorable Bernard A. Streeter, Mayor of the City of Nashua
Honorable Aldermen of the City of Nashua
City Hall
229 Main Street
Nashua, NH 03061-2019

Dear Mayor Streeter and Aldermen:

I am writing in response to a letter dated February 5, 2003 from Mayor Streeter which purports to notify Pennichuck Water Works, Inc. pursuant to RSA Ch. 38 that the City of Nashua has been authorized to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others. The Mayor's letter further states that the Mayor has been authorized to notify Pennichuck Water Works that all of its plant and property, whether located within or without Nashua, is necessary for municipal water utility service and inquires whether the company elects to sell its plant and property to the City.

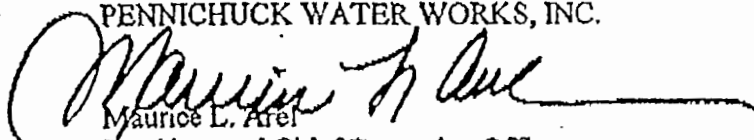
I have been authorized by a unanimous vote of the board of directors to notify you that Pennichuck Water Works does not wish to sell its plant and property and that we strongly believe that such a sale would not be in the interest of the company's customers, its employees or its shareholders.

As you know, Pennichuck Water Works has provided first class water service to the residents and businesses of Nashua for 150 years. In recent years, the company has also extended service to numerous community water systems throughout towns in Southern and Central New Hampshire, bringing safe and reliable water service to citizens who previously faced serious water quality issues.

I do not believe that the City or any political entity will be able to provide the level of customer service or meet the extensive capital and operational needs of such a system as successfully as Pennichuck has done over the decades. In addition, if the City were to acquire the assets of Pennichuck Water Works, Pennichuck East Utility and Pittsfield Aqueduct Company, as the City is proposing, the shareholders of Pennichuck Corporation, the parent company of the three utilities, would be left with a company whose economic viability would be seriously in doubt. These results are unacceptable, and our board of directors is determined to take all appropriate steps to ensure that they do not come to pass.

In responding to the Mayor's letter of February 5, it is not my intention to concede that the City has the legal authority to acquire the assets that are the subject of the letter. Nevertheless, as a courtesy to the Mayor and Aldermen, I am providing this written response. The company hereby reserves the right to raise any and all arguments in opposition to any effort by the City or others to take the company's property by eminent domain.

Sincerely,
PENNICHUCK WATER WORKS, INC.



Maurice L. Arel
President and Chief Executive Officer

EXHIBIT F

PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

Pennichuck Water

March 25, 2003

Honorable Bernard A. Streeter, Mayor of the City of Nashua
Honorable Aldermen of the City of Nashua
City Hall
229 Main Street
Nashua, NH 03061-2019

Dear Mayor Streeter and Aldermen:

I am writing in response to a letter dated February 5, 2003 from Mayor Streeter which purports to notify Pennichuck East Utility, Inc. pursuant to RSA Ch. 38 that the City of Nashua has been authorized to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others. The Mayor's letter further states that the Mayor has been authorized to notify Pennichuck East Utility that all of its plant and property, whether located within or without Nashua, is necessary for municipal water utility service and inquires whether the company elects to sell its plant and property to the City.

I have been authorized by a unanimous vote of the board of directors to notify you that Pennichuck East Utility does not wish to sell its plant and property and that we strongly believe that such a sale would not be in the interest of the company's customers, its employees or its shareholders.

As you know, Pennichuck Water Works has provided first class water service to the residents and businesses of Nashua for 150 years. In recent years, the company has also extended service to numerous community water systems throughout towns in Southern and Central New Hampshire, bringing safe and reliable water service to citizens who previously faced serious water quality issues. The same high quality service has been provided to customers in the numerous water systems acquired by Pennichuck East Utility in recent years.

I do not believe that the City or any political entity will be able to provide the level of customer service or meet the extensive capital and operational needs of such a system as successfully as Pennichuck has done over the decades. In addition, if the City were to acquire the assets of Pennichuck Water Works, Pennichuck East Utility and Pittsfield Aqueduct Company, as the City is proposing, the shareholders of Pennichuck Corporation, the parent company of the three utilities, would be left with a company whose economic viability would be seriously in doubt. These results are unacceptable, and our board of directors is determined to take all appropriate steps to ensure that they do not come to pass.

In responding to the Mayor's letter of February 5, it is not my intention to concede that the City has the legal authority to acquire the assets that are the subject of the letter. Nevertheless, as a courtesy to the Mayor and Aldermen, I am providing this written response. The company hereby reserves the right to raise any and all arguments in opposition to any effort by the City or others to take the company's property by eminent domain.

Sincerely,
PENNICHUCK EAST UTILITY



Maurice L. Arel
Chairman of the Board

EXHIBIT G

Pennichuck Water

PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

March 25, 2003

Honorable Bernard A. Streeter, Mayor of the City of Nashua
Honorable Aldermen of the City of Nashua
City Hall
229 Main Street
Nashua, NH 03061-2019

Dear Mayor Streeter and Aldermen:

I am writing in response to a letter dated February 5, 2003 from Mayor Streeter which purports to notify Pittsfield Aqueduct Company, Inc. pursuant to RSA Ch. 38 that the City of Nashua has been authorized to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others. The Mayor's letter further states that the Mayor has been authorized to notify Pittsfield Aqueduct Company that all of its plant and property, whether located within or without Nashua, is necessary for municipal water utility service and inquires whether the company elects to sell its plant and property to the City.

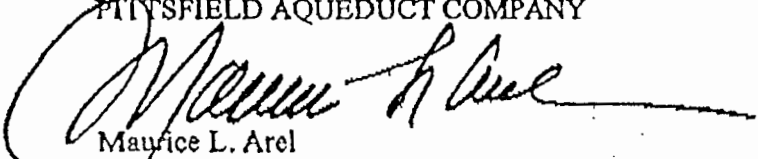
I have been authorized by a unanimous vote of the board of directors to notify you that Pittsfield Aqueduct Company does not wish to sell its plant and property and that we strongly believe that such a sale would not be in the interest of the company's customers, its employees or its shareholders.

As you know, Pennichuck Water Works has provided first class water service to the residents and businesses of Nashua for 150 years. In recent years, the company has also extended service to numerous community water systems throughout towns in Southern and Central New Hampshire, bringing safe and reliable water service to citizens who previously faced serious water quality issues. The same high quality service has been provided to customers of Pittsfield Aqueduct Company in recent years.

I do not believe that the City or any political entity will be able to provide the level of customer service or meet the extensive capital and operational needs of such a system as successfully as Pennichuck has done over the decades. In addition, if the City were to acquire the assets of Pennichuck Water Works, Pennichuck East Utility and Pittsfield Aqueduct Company, as the City is proposing, the shareholders of Pennichuck Corporation, the parent company of the three utilities, would be left with a company whose economic viability would be seriously in doubt. These results are unacceptable, and our board of directors is determined to take all appropriate steps to ensure that they do not come to pass.

In responding to the Mayor's letter of February 5, it is not my intention to concede that the City has the legal authority to acquire the assets that are the subject of the letter. Nevertheless, as a courtesy to the Mayor and Aldermen, I am providing this written response. The company hereby reserves the right to raise any and all arguments in opposition to any effort by the City or others to take the company's property by eminent domain.

Sincerely,
PITTSFIELD AQUEDUCT COMPANY



Maurice L. Arel
Chairman of the Board

EXHIBIT H

THE STATE OF NEW HAMPSHIRE
Southern District of Hillsborough County

30 Spring Street
P. O. Box 2072
Nashua, NH 03061 2072
603 883-6461

ORDER OF NOTICE

Pennichuck Corporation v. City of Nashua
Pennichuck Water Works, Inc.
Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company, Inc.

NO. 04-E-0062

RETURN DAY: 04/06/2004

You have been sued and named as a party in a case filed with the Southern District of Hillsborough County. Attached is a copy of the pleading which began this case.


Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc. shall notify each Defendant of the above action by serving the defendant(s) by March 22, 2004 with a copy of the pleading initiating the case, orders that the Court has already issued, and this Order in a manner allowed by law. Plaintiff shall file with the Clerk verification of the service process by April 06, 2004.

IMPORTANT NOTICE TO City of Nashua:

You must file a written appearance form with the Clerk on or before April 06, 2004. You must also file by May 06, 2004 a plea, answer or demurrer. Send a copy of the appearance form and any other documents filed with the court to the attorney for the party filing the pleading or to the party if there is no attorney. The name and address of the attorney or the party filing the pleading is contained in the pleading. If you do not comply with these requirements you will be considered in default, you will not have an opportunity to dispute the claim(s) and the court may issue orders in this matter which may affect you without your input.

BY ORDER OF THE SUPERIOR COURT

02/04/2004



Marshall A. Buttrick
Clerk of Court

THE STATE OF NEW HAMPSHIRE

HILLSBOROUGH, SS.
SOUTHERN DISTRICT

SUPERIOR COURT

Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc.
and Pittsfield Aqueduct Company, Inc.

v.

City of Nashua

PETITION FOR DECLARATORY JUDGMENT

Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc.
and Pittsfield Aqueduct Company, Inc. (collectively "Pennichuck"), by and through their
attorneys, McLane, Graf, Raulerson & Middleton, Professional Association, petition this Court
for a declaratory judgment, and state as follows:

Introduction

1. This declaratory judgment action seeks this Court's intervention to end the limbo
in which Pennichuck finds itself because of the City of Nashua's threat to municipalize
Pennichuck's entire water distribution and service system in violation of Pennichuck's
constitutional, legal and equitable rights. Specifically:

- ❑ Pennichuck has been subject to the City of Nashua's active threat to condemn its assets,
even though the City has failed for over one year to file any petition to do so.
- ❑ Pennichuck has been subject to the City of Nashua's active threat to condemn not only its
assets within the City of Nashua, but also its assets located well outside of the City's
borders, even though those assets are not necessary to provide service to the City of
Nashua, a statutory prerequisite to any such condemnation.
- ❑ Pennichuck has been subject to the City of Nashua's active threat to condemn its assets
using a process that deprives Pennichuck of its right to a trial by jury.

- ❑ Pennichuck has been subject to the City of Nashua's active threat to condemn its assets using a process that gives the City of Nashua an unlimited option to back away from its condemnation at any time, regardless of the harm done to Pennichuck in the process.
- ❑ Pennichuck has been subject to the City of Nashua's abuse of the municipalization process, which Nashua has used to effect a "hostile takeover" of all of the assets of Pennichuck Corporation, even though Nashua has no legal authority to take the company as a whole.

2. While this petition refers to actual damages and irreparable harm which may be suffered by Pennichuck, this petition seeks only declaratory relief, so as to permit this Court to determine important legal issues at an earlier point in time, and thereby to promote judicial economy. As such, Pennichuck reserves its right to bring a separate action for money damages and injunctive relief. See Radkay v. Confalone, 133 N.H. 294 (1990).

Parties

3. Petitioner Pennichuck Corporation is a New Hampshire corporation whose shares are publicly traded on the NASDAQ stock exchange. Petitioners Pennichuck Water Works, Inc., Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. are Pennichuck Corporation's wholly owned subsidiaries. All four petitioners have their principal place of business at 4 Water Street, Nashua, New Hampshire 03060.

4. Respondent, City of Nashua ("Nashua") is a municipality with its principal place of business at 229 Main Street, Nashua, New Hampshire 03060.

Jurisdiction and Venue

5. This Court has subject matter jurisdiction of this Petition pursuant to RSA 491:22.

6. Venue is proper in this Court pursuant to RSA 507:9 because this is a transitory action and the parties have their principal places of business in this district.

Allegations Common to all Counts

(a) Pennichuck's 150 Year History

7. Pennichuck Corporation has five subsidiaries: Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc., Pennichuck Water Service Corporation, and The Southwood Corporation. Of these subsidiaries, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., and Pittsfield Aqueduct Company, Inc. are public utilities as defined by RSA 362:4 and are regulated by the New Hampshire Public Utilities Commission (the "PUC").

8. Pennichuck Corporation, through its regulated public utilities, provides water service directly to over 29,000 customers in Nashua, Amherst, Hollis, Merrimack, Milford, Bedford, Derry, Epping, Newmarket, Pittsfield, Plaistow, Salem, Atkinson, Hooksett, Litchfield, Londonderry, Pelham, Raymond, Sandown, and Windham. Through its subsidiary, Pennichuck Water Service Corporation, Pennichuck also operates other water systems that serve additional customers, including 4400 customers in Hudson.

9. Pennichuck Water Works has provided water service to Nashua for over 150 years. Over the years, Pennichuck has acquired new water systems or service contracts to operate water systems in southern and central New Hampshire, and provides water to Tyngsboro, Massachusetts. This expansion has come with the oversight, support and encouragement of the PUC, in large part because of Pennichuck's long record of providing superior water service at reasonable rates.

(b) Attempted Merger with PSC

10. On April 29, 2002, Pennichuck entered into an Agreement and Plan of Merger with Philadelphia Suburban Corporation ("PSC"). Under the Agreement and Plan of Merger,

Pennichuck was to become a direct, wholly owned subsidiary of PSC. On June 14, 2002, Pennichuck filed a petition with the PUC seeking approval of the merger. Nashua intervened in the PUC proceeding on July 12, 2002, objecting to the Pennichuck-PSC merger. Both Pennichuck and PSC worked diligently to present the case for the proposed merger to the PUC and to respond to the numerous parties that intervened in the PUC proceeding. But as a result of demands from Nashua and other interveners working with Nashua, the procedural schedule for the case was much longer than either Pennichuck or PSC had originally hoped or expected.

(c) Municipalization Vote and Termination of Merger

11. On November 26, 2002, the Nashua Board of Aldermen adopted a resolution calling for a referendum on January 14, 2003. The referendum question asked if the voters would authorize Nashua to acquire all or a portion of the water works system then "serving the inhabitants of Nashua and others." See Exhibit A, attached. Nashua provided the public with no information about the likely cost to acquire Pennichuck's assets, or about the rationale to acquire assets beyond those needed to serve Nashua. Instead, Nashua conducted a rushed special election seven weeks later, on January 14, 2003. Fewer than 10 percent of the voters participated and the referendum passed by a vote of 6,525 to 1,870.

12. Nashua's actions caused PSC to reevaluate its merger plans given the demonstrated seriousness of the City's threat to condemn Pennichuck's entire water distribution and service system. As a direct result of that threat, the merger agreement was terminated soon after the referendum, on February 4, 2003. The Pennichuck-PSC deal likely would have received PUC approval without Nashua's interference. At the time the PSC-Pennichuck merger agreement was under consideration, regulators in New Hampshire had filed written testimony in support of PSC's acquisition of Pennichuck. PSC (now known as Aqua American) has since

become the largest investor owned water utility in the United States serving a population of over 2.5 million. Since termination of the Pennichuck deal, PSC has consummated numerous other acquisitions and begun operating in nine new states, almost all of which required and received approval by the various state public utility commissions.

13. On February 5, 2003, purporting to act pursuant to RSA 38:6, Nashua sent written notification to each of the Pennichuck regulated utilities regarding the results of the aldermanic and public votes, and inquiring whether each utility was willing to sell to Nashua its assets used to provide water service to "the inhabitants of Nashua and others." Copies of these letters are attached as Exhibit B.

14. On March 25, 2003, Pennichuck replied to Nashua's letters, informing Nashua that Pennichuck's board of directors had unanimously voted against selling any of the assets to Nashua. These letters are attached as Exhibit C. The next day, Nashua replied that "The City will *now proceed* under RSA 38:10 to petition the Public Utilities Commission in order to complete the acquisition of the plant and property specified in Nashua's letters sent earlier under RSA 38:6." See Exhibit D (emphasis added). Over the next 10 months, Nashua made more than a dozen public statements that it would take Pennichuck by eminent domain.

(d) Nashua's Conduct After Successfully Killing the Merger

15. Following Nashua's March 26 letter, the parties held occasional meetings to discuss Nashua's interest in purchasing Pennichuck or its assets. These meetings were always held in response to requests by Nashua, and concerned only issues of a general nature. On information and belief, the superficial nature of these meetings was a consequence of Nashua never having retained a financial, tax, valuation or utility expert to advise it in the complex issues associated with establishing a price for the Pennichuck assets or to examine tax and transitional

operations issues. In short, the meetings were of necessity perfunctory because Nashua never engaged in any meaningful due diligence review of the Pennichuck assets. Nashua plainly intended that these meetings create the appearance that the parties were talking about a potential acquisition, when in fact, Nashua made no serious or concerted effort to acquire Pennichuck. Simply put, they were all form and no substance.

16. On November 20, 2003, the chief executive officer of Pennichuck, Donald Correll, received a telephone call from a newspaper reporter asking him to comment on an offer by Nashua to purchase Pennichuck's assets and a press conference to be held by the City that afternoon. At the time of the call, Mr. Correll was unaware of the press conference and had not received any offer from Nashua. Later that day, Mr. Correll did receive a written offer from Nashua to purchase Pennichuck's assets. Approximately one hour later Nashua's mayor held a press conference to discuss the offer. No one from Nashua called Pennichuck to discuss the offer.

17. Although the mayor's press conference on November 20, 2003 occurred after the stock exchange had closed for the day, trading in Pennichuck stock on November 20 soared to 26,360 shares, up from average daily trading of 2,800 shares.

18. The unusual trading in Pennichuck's stock increased substantially the next day, November 21, when an unprecedented volume of 229,162 Pennichuck shares were traded, a volume that was nearly 10% of all of Pennichuck's outstanding shares and 137% of the highest daily trading volume that Pennichuck had ever experienced. This tremendous surge in trading was accompanied by wild gyrations in the market price of Pennichuck stock, which moved between the previous day's close of \$23.90 to as high as \$35.00.

19. In conjunction with its proposal to acquire Pennichuck, Nashua simultaneously undertook a concerted effort that was intentionally designed to place pressure on Pennichuck's board of directors through its stockholders. The campaign was so intense and its effect so unsettling on the market that, at one point, NASDAQ halted trading in Pennichuck's stock. During and since this time period, Pennichuck has received literally hundreds of calls from confused and frustrated investors concerned about their stock. On information and belief, Nashua was also flooded with calls from Pennichuck investors. Nashua responded to these calls by giving Pennichuck investors false and misleading information about its November 20, 2003 offer, thereby causing further turmoil.

20. By letter dated December 8, 2003, the NASD informed Pennichuck that it was undertaking an investigation of the unusual trading activity surrounding Nashua's November 20, 2003 offer. This investigation has been and will continue to be time-consuming and costly to Pennichuck. The NASD has not indicated the exact scope of its investigation, although it appears initially intended to examine potential insider trading by persons with advance knowledge of Nashua's offer.

21. After Nashua made its public proposal, Pennichuck asked both Nashua and its counsel to clarify the terms of the offer. Pennichuck also asked to meet with Nashua's technical advisors to better understand Nashua's proposal. Nashua refused to provide Pennichuck with this opportunity or to provide any additional clarification regarding its offer. Based on its detailed review of Nashua's offer with its own financial and other advisors, Pennichuck rejected Nashua's offer on December 15, 2003. See Exhibit E.

(e) Pennichuck's Current State of Suspended Animation

22. Today, more than fourteen months since the Nashua Board of Aldermen voted to take Pennichuck assets and more than a year since the public referendum, Nashua has still failed to file a petition with the PUC seeking authority to condemn Pennichuck's assets. This delay continues despite Nashua's March 26, 2003 statement that it "would now proceed to...petition the PUC," and despite more than a dozen subsequent statements to the press that a PUC filing was imminent.

23. Nashua's activity relating to Pennichuck has been nothing less than a naked use of governmental power designed, first, to kill the PSC deal and, now, to ensure that no other potential suitor will have an interest in acquiring Pennichuck. This abusive exercise of governmental power has effectively enabled Nashua to condemn Pennichuck's assets indirectly, without paying the cost of directly condemning those assets.

24. Nashua's failure to file any petition with the PUC for more than a year after the referendum squarely raises the question of the legitimacy of Nashua's claimed continuing interest in municipalizing the Pennichuck assets and its right and authority to continue to threaten such an action.

(f) Pennichuck's Losses

25. For well over a year, Nashua has continued to hold the specter of municipalization over Pennichuck's corporate future, which has caused, and continues to cause, substantial damage to Pennichuck, its employees, and shareholders. Pennichuck has spent more than \$250,000 in legal and other fees in connection with Nashua's threatened municipalization process. Because Nashua has not filed any petition at the PUC, and because Nashua will not publicly state that it has abandoned any such intention, Pennichuck continues daily to incur substantial expenses associated with the threatened taking.

26. Pennichuck has incurred \$2.2 million in merger related expenses and termination fees related to the PSC transaction -- a deal which Nashua killed. These costs would not have been borne by Pennichuck investors had the PSC transaction been consummated.

27. In addition to these out of pocket expenses, Pennichuck management has spent, and continues to spend, a substantial amount of time every day responding to Nashua's threatened municipalization. As a result of Nashua's actions, it has become more difficult for Pennichuck to operate its water utility functions and to maintain its staff morale. Employees are concerned about the security of their jobs, and the Company's costs have risen.

28. Because of the state of suspended animation in which it exists, Pennichuck has been less able to pursue opportunities for either the purchase of new regulated water systems or the contract operation of existing systems in New Hampshire. Potential customers have expressed reluctance to contract with Pennichuck for services given the uncertainty of Pennichuck's future, and current customers express a similar reluctance to expand or extend current contracts. In short, Nashua has put handcuffs on Pennichuck, restraining it from pursuing business opportunities for the indeterminate future.

29. With Pennichuck in its lock grip, Nashua then made false and misleading statements to Pennichuck investors, thereby causing even further turmoil. Pennichuck's stock price has gyrated wildly at times, and it is likely that investors have suffered direct monetary harm by trading on misleading information provided by Nashua surrounding the November 20, 2003 offer. On November 21, 2003 alone, between \$7-8 million of shares of Pennichuck stock were traded based on Nashua's announcement and the misleading statements of its officials. On December 12, 2003, Pennichuck put Nashua on notice regarding Pennichuck's concerns about

Nashua's use of false and misleading statements to try and influence Pennichuck stockholders and other members of the public. A copy of this letter is attached as Exhibit F.

30. Setting aside the potential claims associated with Nashua's own conduct, Nashua's actions have already led to an NASD investigation and may cause other regulators to investigate the circumstances surrounding the City's actions and its November offer. To date, Pennichuck has incurred more than \$50,000 in expenses associated with the NASD investigation, solely based on Nashua's actions.

31. Had the PSC transaction been consummated in accordance with the original merger agreement, Pennichuck shareholders investment would today be approximately \$25-30 million greater than the current Pennichuck share value (based on PSC trading ranges for the last 60 days).

32. These expenses and investment losses are quite significant for Pennichuck, which has averaged only approximately \$1.9 million in annual income from its water service operations over the last 5 years.

33. In essence, Nashua has attempted to reap the control benefits of a condemner pursuant to RSA 38, without assuming any of the financial and operational obligations that accompany those benefits.

Count I
Declaratory Judgment – Unconstitutionality of RSA 38:9-11 -- Equal Protection

34. Petitioner incorporates in this Count I all of the allegations made in the preceding paragraphs as if fully set forth herein.

35. When one public utility seeks to condemn property of another person or entity, even another public utility, the utility seeking the condemnation must proceed under RSA 371, which "appl[ies] to all cases of eminent domain concerning public utility facilities." RSA 371:1-

a. See White Mountain Power Co. v. Central Maine Railroad Co., 106 N.H. 443 (1965). For takings subject to that chapter, the PUC makes a determination of public interest (called “necessity”) and of compensation, but that determination is subject to an appeal by *de novo* jury trial on compensation in superior court. RSA 371:10.

36. Similarly, in most cases where a municipality seeks to condemn property of another person or entity, whether or not it is a public utility, the municipality must make an initial determination of public interest (sometimes called “occasion” or “necessity”), which determination is subject to an appeal *de novo* to the superior court. See, e.g., RSA 231:8, 34; RSA 205:1; Merrill v. Manchester, 124 N.H. 8 (1983). After a finding of public interest, the municipality must then petition the Board of Tax and Land Appeals (“BTLA”) pursuant to RSA 498-A for a determination of compensation. The BTLA’s determination of compensation is also subject to an appeal by *de novo* jury trial in superior court. RSA 498-A:27.

37. In the present case, Nashua’s notice to take Pennichuck assets by condemnation pursuant to RSA 38:1-13 is governed by the procedure set forth in RSA 38:9, 10 and 11, which gives Pennichuck the opportunity for notice and hearing solely before the PUC to determine whether such condemnation is in the public interest and, if so, what the just compensation should be for the property taken. RSA 38 does not provide for a jury trial, on either this issue of public interest or just compensation, at either an initial trial, or at a *de novo* appeal trial. The sole right of appeal lies with the supreme court, and then only on a very limited basis. RSA 365:22; RSA 541:13.

38. Nashua’s threatened condemnation seeks to take Pennichuck’s private property ownership rights, which are recognized as fundamental rights under the New Hampshire Constitution. N.H. CONST. pt. I, art. 12. As such, any diverging statutory procedural

classifications are subject to strict scrutiny and can be justified only by the existence of a compelling state interest. Merrill, *supra*, at 13-14.

39. No compelling state interest exists that would deprive Pennichuck of its right to a *de novo* trial in superior court on the issue of whether Nashua's planned condemnation is in the public interest or of its right to a *de novo* jury trial in superior court for a determination of compensation.

40. Pennichuck, therefore, is entitled to a declaratory judgment that the condemnation scheme in RSA 38:1-13 deprives Pennichuck of equal protection of the law with respect to its fundamental private property ownership rights under the New Hampshire Constitution because it fails to provide for *de novo* superior court review of any PUC findings of public interest and of compensation.

Count II

Declaratory Judgment – Unconstitutionality of RSA 38:1-13 – Inverse Condemnation

41. Petitioner incorporates in this Count II all of the allegations made in the preceding paragraphs as if fully set forth herein.

42. After following the timetable for the board of aldermen and municipal vote (RSA 38:3), the notice to Pennichuck (RSA 38:6) and Pennichuck's reply (RSA 38:7), the provisions of RSA 38:9-11 do not provide any deadline by which Nashua must petition the PUC to make determinations of public interest and compensation.

43. Given the size and complexity of such a proceeding against Pennichuck, and given some precedent involving similar proceedings at the PUC, such a proceeding, once it has begun, could extend for three or more years at the PUC. Such a proceeding would involve extensive economic and other analysis concerning public interest. It would also involve complex

valuation studies involving experts. The cost to Pennichuck in terms of attorneys and experts fees could easily exceed \$1 million, above the fees already incurred

44. If the PUC determines that Nashua has demonstrated that it is in the public interest to take Pennichuck's assets, then the PUC will make a determination of compensation. But under RSA 38:13, Nashua is required to pay that compensation to Pennichuck and take ownership of the assets only if the Nashua board of aldermen vote to ratify that determination by issuing financing bonds within 90 days of the final PUC determination. Thus Nashua could abandon its condemnation of Pennichuck at the very last moment, after having pursued it for years and after having essentially kept Pennichuck in a state of suspended animation all the while.

45. RSA 38:1-13 effectively provides Nashua with an indefinite period of time to petition the PUC for condemnation of Pennichuck; then, should Nashua ever file such a petition, RSA 38:9-11 subjects Pennichuck to a very lengthy and very expensive condemnation process; then should the PUC find public interest and determine compensation payable to Pennichuck, Nashua has the option to accept that price or abandon its condemnation efforts, a condemnation process that it can then begin again, or simply threaten to begin again, at any time in order to keep Pennichuck frozen and unable to conduct normal business.

46. Following the votes and notices in RSA 38:3,6 and 7, Pennichuck's property has been subject to what is, in effect, Nashua's option to condemn of unlimited duration. This option, as appears to have been Nashua's intent almost from the beginning, greatly depresses the value of Pennichuck's property by limiting its business opportunities and casting a pall upon its entire operations. The option places Pennichuck into a state of suspended animation that deprives Pennichuck of the rewards of commerce and constitutes a taking of a part of

Pennichuck's property for which it has not been compensated. As such, RSA 38:1-13 is an unconstitutional scheme to provide a municipality with a free unlimited option to condemn, which deprives the target company of its right to engage in commerce and of a part of its property contrary to N.H. CONST. pt. I, art. 12, 83. Appeal of Public Service Co., 122 N.H. 1062 (1982); Burrows v. Keene, 121 N.H. 590 (1981). Nashua's application of that scheme in this case also has unconstitutionally deprived Pennichuck of a part of its property and its right to engage in commerce.

47. Pennichuck is entitled to a declaratory judgment that the condemnation scheme in RSA 38:1-13 deprives Pennichuck of its right to engage in commerce and its fundamental private property rights under the New Hampshire Constitution, because (a) it fails to limit the time within which Nashua must petition the PUC following the procedural steps in RSA 38:3,6,and 7, (b) once a petition is filed, it fails to require Nashua either i) to pay compensation to Pennichuck in the amount set by the PUC's compensation determination or ii) to pay compensation to Pennichuck for Nashua's option to abandon the condemnation after subjecting Pennichuck to the prolonged condemnation process, including the cost of defending against such a process, and (c) Nashua's application of that scheme has deprived Pennichuck of its right to engage in commerce and its fundamental private property rights.

Count III

Declaratory Judgment – Limitations Period and Laches

48. Petitioner incorporates in this Count III all of the allegations made in the preceding paragraphs as if fully set forth herein.

49. In New Hampshire, most government condemnation of private property follows the procedure set forth in the Eminent Domain Procedures Act, RSA 498-A. In that Act, the

governmental body must petition the BTLA within 90 days from the expiration of the ten day acceptance period set forth in the notice of taking. RSA 498-A:4, III(c).

50. It has been more than one year since the municipal vote and the board of aldermen vote in Nashua. RSA 38:3. It has been one year since Nashua's February 5, 2003 notice to Pennichuck and more than ten months since Nashua's reply. RSA 38:6,7. Despite Nashua's letter to Pennichuck dated March 26, 2003 stating that it "will now proceed under RSA 38:10 to petition the Public Utilities Commission in order to complete the acquisition...", Nashua has not filed any petition with the PUC pursuant to RSA 38:9-11. It has yet to engage the financial and utility experts needed to determine how it would go about valuing, acquiring, paying for and then operating a large and complex water utility. Nashua's indefinite delay in filing for condemnation, and the uncertainty as to whether it will ever file, is causing Pennichuck real and substantial harm, including loss of property value and substantial expense for the services of attorneys and consultants.

51. To avoid undue hardship to the private property owner, condemnation proceedings should begin promptly after the municipality's notice. Using RSA 498-A:4,II(c) as a model, the limitations period would have expired 90 days following Pennichuck's reply (RSA 38:7) to Nashua's notice (RSA 38:6), that is on June 23, 2003.

52. Pennichuck is entitled to a declaratory judgment that the period for Nashua to file its petition with the PUC pursuant to RSA 38:9-11 has expired, both because of the application of a short limitations period to such condemnations in general and because of Nashua's laches under the circumstances of this case.

Count IV
Declaratory Judgment – Limitation on Extent of Pennichuck Condemnation

53. Petitioner incorporates in this Count IV all of the allegations made in the

preceding paragraphs as if fully set forth herein.

54. Nashua's February 5, 2003 notice pursuant to RSA 38:6 states that it seeks to acquire Pennichuck's entire water distribution and service system. That system includes facilities and service in at least 21 towns, some as distant from Nashua as Pittsfield (50 miles away) and Newmarket (45 miles away). Many of those systems are not even physically connected to the system serving Nashua.

55. Apart from the condemnation efforts by Nashua, the Town of Pittsfield in 2003 also conducted votes and provided notice as required by RSA 38:3, 6 for it to acquire that portion of Pennichuck in Pittsfield. Pittsfield's notice thus conflicts with Nashua's notice. Moreover, Nashua's notice conflicts with potential votes (both positive and negative) that may be conducted in other communities served by Pennichuck. Nashua, in effect, seeks to override the determination of those communities which have not sought to municipalize Pennichuck's assets.

56. RSA 38 contemplates that a municipality may condemn only that portion of a water company's property that is needed to provide service within the confines of that municipality. In other words, except for water sources and treatment and distribution facilities specifically needed to provide water service within Nashua, Nashua has no authority to condemn Pennichuck property outside of Nashua's city limits.

57. Pennichuck is entitled to a declaratory judgment that Nashua's notices given pursuant to RSA 38:6 are invalid and unlawful in that they seek to acquire Pennichuck property not specifically needed to provide water service within Nashua, and that RSA 38 limits to the same extent the property that Nashua may seek to condemn by petition to the PUC pursuant to RSA 38:9-11. Because the time for Nashua to give notice pursuant to RSA 38 has expired,

Pennichuck is entitled to a declaratory judgment that Nashua can only seek to condemn Pennichuck's assets by beginning again the process in accordance with RSA 38.

Prayer for Relief

WHEREFORE, Pennichuck requests that this Court order as follows:

- A. Set down this matter for expedited consideration, given the magnitude of the issues at stake;
- B. Issue a declaratory judgment that RSA 38:9-11 lacks any superior court and jury trial process, and therefore fails to provide Pennichuck with equal protection of the law with respect to its fundamental private property right, contrary to New Hampshire Constitution pt. I, art. 12;
- C. Issue a declaratory judgment that RSA 38:1-13 provides Nashua with two options, one unlimited in time to initiate a petition to the PUC, and then a second to decide not to proceed with condemnation after the valuation price has been set by the PUC, after a lengthy process, which options, and Nashua's delaying behavior pursuant thereto, deprive Pennichuck of its right to engage in commerce and constitute a temporary and permanent taking of Pennichuck's private property rights, contrary to New Hampshire Constitution, pt. I, art. 12, 83;
- D. Issue a declaratory judgment that the period for Nashua to file its petition with the PUC pursuant to RSA 38:9-11 has expired, both because of the application of a short limitations period to such condemnations in general and because of Nashua's laches under the circumstances of this case;
- E. Issue a declaratory judgment that Nashua's notice pursuant to RSA 38:6 is invalid and unlawful in that it seeks to acquire Pennichuck property not specifically needed to provide water service within Nashua, and that RSA 38 limits to the same extent the property which

Nashua may seek to condemn by petition to the PUC pursuant to RSA 38:9-11, and that Nashua must begin again should it wish to condemn Pennichuck assets; and

F. Order such other and further relief as may be just.

Respectfully submitted,

PENNICHUCK CORPORATION, PENNICHUCK
WATER WORKS, INC., PENNICHUCK EAST
UTILITY, INC, AND PITTSFIELD AQUEDUCT
COMPANY, INC.

By Its Attorneys,

McLANE, GRAF, RAULERSON & MIDDLETON,
PROFESSIONAL ASSOCIATION

Date: February 4, 2004

By: 

Thomas J. Donovan
Sarah B. Knowlton
900 Elm Street, P.O. Box 326
Manchester, New Hampshire 03105
Telephone (603) 625-6464

EXHIBIT A

Voters urged to support water district

By ANDREW NELSON

Telegraph Staff

NASHUA - A cross-section of environmental and civic watchdog groups along with officials from surrounding communities rallied on the steps of City Hall on Tuesday, urging voters to support the city's acquisition of Pennichuck Water Works at the polls next week.

MAKING A CASE

60 people attend public meeting. 9

"It is not about politics. It is not about voting Republican. It is not about voting Democrat. It is our water," said Bob Sullivan, trea-



Staff photo by KEVIN JACOBUS

Nashua Mayor Bernie Streeter speaks at a press conference at Nashua City Hall in support of a yes vote on acquiring Pennichuck Water Works.

Water | Vote Tuesday will be first of many

CONTINUED FROM PAGE 1

suror of Citizens for Local Water Control and president of the Nashua Taxpayers Association.

Groups urging a "yes" vote on next week's ballot question included the Pennichuck Watershed Council, the Sierra Club's state chapter, the Nashua Taxpayers Association and the Republican City Executive Committee. Representatives from Milford, Pelham and Londonderry also attended.

On Tuesday, residents will go to the polls to vote on whether the city should continue to pursue the acquisition of the local water company.

Philadelphia Suburban Corp. is also seeking to acquire Pennichuck in a stock-for-stock transaction estimated to be worth about \$95 million. The agreement is before state Public Utilities Commission regulators, who are scheduled to make a decision on the merger by Feb. 28.

Allan Fuller, chairman of the Pennichuck Watershed Council, said a strong show of support at the polls would send a message to state environmental regulators that city residents want to protect the local watershed.

Mayor Bernie Streeter continued his call for public ownership of the water company.

"The facts are these - public ownership has many more benefits than private ownership," he said.

An ongoing Pennichuck ad campaign urging a "no" vote shows the company's leaders are "very, very concerned about the vote on Tuesday, and they should be," Streeter said.

There is room in the water business for both private firms and public water companies, said Maurice Arel, president of Pennichuck.

He said a growing number of prominent cities, such as Atlanta, are turning to the private sector to take care of their water needs.

BALLOT QUESTION

This is the text of the ballot question that voters will consider in a special election on Tuesday:

Shall the resolution of the Board of Aldermen adopted on November 26, 2002 determining that it is expedient for the City to establish a water works system and, in order to establish such water works system, to acquire all or a portion of the water works system currently serving the inhabitants of the City and others be confirmed?

A YES vote means that the City may continue to pursue acquisition of the Pennichuck water system under the procedures outlined in RSA 38.

A NO vote means that the City may not acquire the water system now, and the issue may not be submitted to the voters again for at least two years.

Other communities that rely on Pennichuck for water are supportive of the city's effort and are pushing for the eventual creation of a regional water district. Next week's election is the first of many votes on the issue, because the towns need to wait until March for their annual town meetings.

Under the proposed regional district, Arel said Nashua would have control, since the city has the largest number of water users, while now "every community has top priority." The surrounding towns would be "beholden to the city of Nashua," he said.

Karen White, planning director for Bedford, said the number of communities backing Nashua is growing larger.

"We'll be there with you, but we need you to take the first step," said White, one of the leaders in the movement to form a regional water district.

Selectmen in 10 towns already have signed onto the idea, and another 10 are expected to give their approval, White said.

Jean-Guy Bergeron, a Pelham selectman and state representative, said selectmen in his town unanimously agreed to put the issue to voters on the Town Meeting ballot.

"This is very, very important," he said.

More than 30 members of Nashua's legislative delegation back the idea of public ownership, supporters said.

Andrew Nelson can be reached at 603-881-5500.

EXHIBIT B

FEB - 7 2003



Mayor Bernard A. Streeter
Nashua, New Hampshire

February 5, 2003

Maurice Arel, CEO
Pennichuck Water Works, Inc.
P.O. Box 448
Nashua, New Hampshire 03061

Re: *Notice under RSA 38:6*

Dear Mr. Arel:

Pursuant to RSA 38:6 I have been authorized by the Nashua Board of Aldermen to notify Pennichuck Water Works, Inc. of the confirming vote of the majority of qualified voters of the City of Nashua on January 14, 2003 under RSA 38:3 to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others.

I have been further authorized by the Nashua Board of Aldermen to notify Pennichuck Water Works, Inc. that the Nashua Board of Aldermen have determined that all of the plant and property of Pennichuck Water Works, Inc. located within and without Nashua is necessary for municipal water utility service and in the public interest for the City to acquire. Such plant and property includes but is not limited to the items attached as Exhibit A.

I have been further authorized by the Nashua Board of Aldermen to inquire whether the company elects to sell the plant and property identified above to the City of Nashua. In accordance with RSA 38:7 you have sixty (60) days upon receipt of this inquiry to respond.

Very truly yours,


Bernard A. Streeter
Mayor

Enclosure

cc: Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company, Inc.
Pennichuck Corporation

Sesquicentennial

Nashua City Hall • Mayor's Office • 229 Main St. • Nashua, New Hampshire, 03061-2019
603.589.3260 • Fax 603.594.3450
Email mayorsoffice@ci.nashua.nh.us

EXHIBIT A

All the real and tangible personal property of the water utilities that comprise a complete and functioning water utility including, but not limited to, all the property reported to the N.H. Public Utilities Commission as utility plant in service, construction work in progress, completed construction not classified and property held for future utility use.

The property above is comprised of, but not limited to:

Land and rights to land on which utility property and fixtures are located including property and property rights for watershed protection.

Structures and improvements housing water utility equipment and devices.

Lakes, reservoirs, dams, intakes and appurtenances over or through which water is obtained.

Treatment plants and treatment process control equipment.

Wells and well water treatment systems.

Transmission and distribution mains and appurtenances.

Pumping stations, storage tanks and storage reservoirs including control equipment and telemetry systems.

Water main valves, pressure reducers, altitude valves, flow control valves and similar devices.

Hydrants and hydrant fixtures.

Services, meters and meter reading devices.

Tools, shop and garage equipment.

Laboratory equipment.

Communications equipment associated with the remote control and operation of other utility devices.

The original paper records of all the items below where such records have been maintained and the electronic records of the same items. This list is intended to outline the scope of records that should be being maintained by the company and are required to support a functioning and functional water utility system. It specifically includes all computer software except commercial-off-the-shelf software readily available in the 2003 market place, licenses for custom software and computer data in whatever formats it is normally stored. This data is for each and every system and sub-system being acquired and is for data and information as of the closing date of the acquisition of the physical assets.

EXHIBIT A

The following list is of records that should be found to minimally support water utilities of the size and complexity of the company.

For equipment generally

- Purchase orders and invoices

- Manufacturer's literature including shop drawings, specification sheets, maintenance and operating instructions

- Maintenance records and data logs or records

For financial records generally

- Invoices and statements for all expenses summarized in annual reports to the N.H. Public Utilities Commission

- Continuing property records for all assets summarized in annual reports to the N.H. Public Utilities Commission

- Contracts and purchase orders for all goods and services not received

Wells and associated treatment systems

- Feasibility and need studies

- Design, construction and as built plans and shop drawings

- Operating and maintenance manuals and instructions

- Operating procedures and instructions

- Applications and permits for construction and operation from state and federal regulating agencies

- Applications for operating licenses and operating permits or authorizations

- Maintenance records

- Process control records

- Operating records

- Finished water records

- Laboratory test procedures and records of all tests performed

- Maintenance contracts with outside vendors or suppliers

- Operating expense records including purchase orders, invoices and contracts

EXHIBIT A

Customer accounts

Customer account records including billings and basis for billings, payments received and credited, credit arrangements, etc.

Customer deposits subject to refund with supporting documents

Customer advances subject to refund with supporting contracts

Cross references and indices of customer accounts

System component records

Hydrant records including installation date and location details, manufacturer's data sheets and maintenance records

Service connection records including installation date and location details

Meter records including location of installed meters and remote reading devices, installation date and calibration records

Meter records for meters in the shop or inventory including manufacturer's data and instruction sheets, calibration records and installation history

Valve records including details of locations, manufacturer's data and instruction sheets, operation and maintenance history

For system operation

Feasibility and need studies

Meter calibration and maintenance plans

Valve exercising plans

Flushing plans

Plans and drawings of the system and all hydraulic modeling

Leak studies and action plans for leak reduction

Repair records

Plans and operating manuals and instructions for system operators including schematics and other details of SCADA systems, control set points, relief and altitude valve settings and the like

Hazardous materials records, material data sheets and hazmat plans and SARA Title I records and materials

Engineering records

Design, construction and as built plans and shop drawings for all mains, appurtenances to mains, pumping stations, storage tanks and control equipment

Design, construction and as built plans and shop drawings for all buildings and structures.

EXHIBIT A

All correspondence, studies, applications, licenses and permits related to past, present and future withdrawal of water from every source including the Merrimack River, Pennichuck Brook, Berry Pond and well fields.

All state, city and town permits, licenses and approvals for water utility activities

Water quality studies and reports

Other records

Orders and consent orders with and between any federal, state or local agency

Deeds and easements

Purchase and sales agreements and bills of sale for all tangible property acquired prior to this closing

FEB - 7 2003



Bernard A. Streeter
Nashua, New Hampshire

February 5, 2003

Maurice Arel, CEO
Pennichuck East Utility, Inc.
P. O. Box 448
Nashua, New Hampshire 03061

Re: *Notice under RSA 38:6*

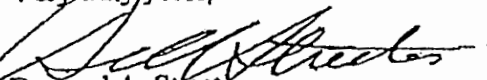
Dear Mr. Arel:

Pursuant to RSA 38:6 I have been authorized by the Nashua Board of Aldermen to notify Pennichuck East Utility, Inc. of the confirming vote of the majority of qualified voters of the City of Nashua on January 14, 2003 under RSA 38:3 to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others.

I have been further authorized by the Nashua Board of Aldermen to notify Pennichuck East Utility, Inc. that the Nashua Board of Aldermen have determined that all of the plant and property of Pennichuck East Utility, Inc. located within and without Nashua is necessary for municipal water utility service and in the public interest for the City to acquire. Such plant and property includes but is not limited to the items attached as Exhibit A.

I have been further authorized by the Nashua Board of Aldermen to inquire whether the company elects to sell the plant and property identified above to the City of Nashua. In accordance with RSA 38:7 you have sixty (60) days upon receipt of this inquiry to respond.

Very truly yours,


Bernard A. Streeter
Mayor

Enclosure

cc: Pennichuck Water Works, Inc.
Pittsfield Aqueduct Company, Inc.
Pennichuck Corporation

Sesquicentennial

Nashua City Hall ♦ Mayor's Office ♦ 229 Main St. ♦ Nashua, New Hampshire, 03061-2019
603.589.3260 ♦ Fax 603.594.3450
Email mayorsoffice@ci.nashua.nh.us

FEB - 7 2003



Mayor Bernard A. Streeter
Nashua, New Hampshire

February 5, 2003

Maurice Arel, CEO
Pittsfield Aqueduct Company, Inc.
P. O. Box 448
Nashua, New Hampshire 03061

Re: *Notice under RSA 38:6*

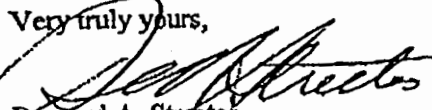
Dear Mr. Arel:

Pursuant to RSA 38:6 I have been authorized by the Nashua Board of Aldermen to notify Pittsfield Aqueduct Company, Inc. of the confirming vote of the majority of qualified voters of the City of Nashua on January 14, 2003 under RSA 38:3 to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others.

I have been further authorized by the Nashua Board of Aldermen to notify Pittsfield Aqueduct Company, Inc. that the Nashua Board of Aldermen have determined that all of the plant and property of Pittsfield Aqueduct Company, Inc. located within and without Nashua is necessary for municipal water utility service and in the public interest for the City to acquire. Such plant and property includes but is not limited to the items attached as Exhibit A.

I have been further authorized by the Nashua Board of Aldermen to inquire whether the company elects to sell the plant and property identified above to the City of Nashua. In accordance with RSA 38:7 you have sixty (60) days upon receipt of this inquiry to respond.

Very truly yours,


Bernard A. Streeter
Mayor

Enclosure

cc: Pennichuok Water Works, Inc.
Pennichuok East Utility, Inc.
Pennichuok Corporation

Seesquicentennial
Nashua City Hall ♦ Mayor's Office ♦ 229 Main St. ♦ Nashua, New Hampshire, 03061-2019
603.589.3260 ♦ Fax 603.594.3450
Email mayorsoffice@ci.nashua.nh.us

EXHIBIT C

Pennichuck Water

March 25, 2003

PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

Honorable Bernard A. Streeter, Mayor of the City of Nashua
Honorable Aldermen of the City of Nashua
City Hall
229 Main Street
Nashua, NH 03061-2019

Dear Mayor Streeter and Aldermen:

I am writing in response to a letter dated February 5, 2003 from Mayor Streeter which purports to notify Pittsfield Aqueduct Company, Inc. pursuant to RSA Ch. 38 that the City of Nashua has been authorized to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others. The Mayor's letter further states that the Mayor has been authorized to notify Pittsfield Aqueduct Company that all of its plant and property, whether located within or without Nashua, is necessary for municipal water utility service and inquires whether the company elects to sell its plant and property to the City.

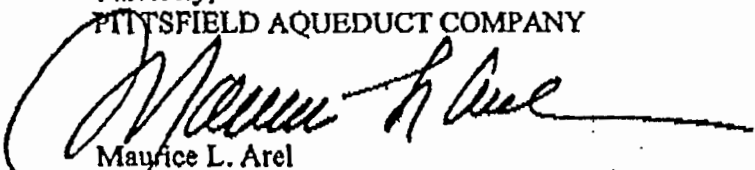
I have been authorized by a unanimous vote of the board of directors to notify you that Pittsfield Aqueduct Company does not wish to sell its plant and property and that we strongly believe that such a sale would not be in the interest of the company's customers, its employees or its shareholders.

As you know, Pennichuck Water Works has provided first class water service to the residents and businesses of Nashua for 150 years. In recent years, the company has also extended service to numerous community water systems throughout towns in Southern and Central New Hampshire, bringing safe and reliable water service to citizens who previously faced serious water quality issues. The same high quality service has been provided to customers of Pittsfield Aqueduct Company in recent years.

I do not believe that the City or any political entity will be able to provide the level of customer service or meet the extensive capital and operational needs of such a system as successfully as Pennichuck has done over the decades. In addition, if the City were to acquire the assets of Pennichuck Water Works, Pennichuck East Utility and Pittsfield Aqueduct Company, as the City is proposing, the shareholders of Pennichuck Corporation, the parent company of the three utilities, would be left with a company whose economic viability would be seriously in doubt. These results are unacceptable, and our board of directors is determined to take all appropriate steps to ensure that they do not come to pass.

In responding to the Mayor's letter of February 5, it is not my intention to concede that the City has the legal authority to acquire the assets that are the subject of the letter. Nevertheless, as a courtesy to the Mayor and Aldermen, I am providing this written response. The company hereby reserves the right to raise any and all arguments in opposition to any effort by the City or others to take the company's property by eminent domain.

Sincerely,
PITTSFIELD AQUEDUCT COMPANY



Maurice L. Arel
Chairman of the Board

Pennichuck Water

March 25, 2003

Honorable Bernard A. Streeter, Mayor of the City of Nashua
Honorable Aldermen of the City of Nashua
City Hall
229 Main Street
Nashua, NH 03061-2019

PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

Dear Mayor Streeter and Aldermen:

I am writing in response to a letter dated February 5, 2003 from Mayor Streeter which purports to notify Pennichuck East Utility, Inc. pursuant to RSA Ch. 38 that the City of Nashua has been authorized to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others. The Mayor's letter further states that the Mayor has been authorized to notify Pennichuck East Utility that all of its plant and property, whether located within or without Nashua, is necessary for municipal water utility service and inquires whether the company elects to sell its plant and property to the City.

I have been authorized by a unanimous vote of the board of directors to notify you that Pennichuck East Utility does not wish to sell its plant and property and that we strongly believe that such a sale would not be in the interest of the company's customers, its employees or its shareholders.

As you know, Pennichuck Water Works has provided first class water service to the residents and businesses of Nashua for 150 years. In recent years, the company has also extended service to numerous community water systems throughout towns in Southern and Central New Hampshire, bringing safe and reliable water service to citizens who previously faced serious water quality issues. The same high quality service has been provided to customers in the numerous water systems acquired by Pennichuck East Utility in recent years.

I do not believe that the City or any political entity will be able to provide the level of customer service or meet the extensive capital and operational needs of such a system as successfully as Pennichuck has done over the decades. In addition, if the City were to acquire the assets of Pennichuck Water Works, Pennichuck East Utility and Pittsfield Aqueduct Company, as the City is proposing, the shareholders of Pennichuck Corporation, the parent company of the three utilities, would be left with a company whose economic viability would be seriously in doubt. These results are unacceptable, and our board of directors is determined to take all appropriate steps to ensure that they do not come to pass.

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Sincerely,
PENNICHUCK EAST UTILITY



Maurice L. Arel
Chairman of the Board

PO Box 448
Nashua, NH 03061 0448
603 882 5191
800 553 5191
Fax 603 882 4125
www.pennichuck.com

Pennichuck Water

March 25, 2003

Honorable Bernard A. Streeter, Mayor of the City of Nashua
Honorable Aldermen of the City of Nashua
City Hall
229 Main Street
Nashua, NH 03061-2019

Dear Mayor Streeter and Aldermen:

I am writing in response to a letter dated February 5, 2003 from Mayor Streeter which purports to notify Pennichuck Water Works, Inc. pursuant to RSA Ch. 38 that the City of Nashua has been authorized to establish a water works system and to acquire all or a portion of the water works system currently serving the inhabitants of Nashua and others. The Mayor's letter further states that the Mayor has been authorized to notify Pennichuck Water Works that all of its plant and property, whether located within or without Nashua, is necessary for municipal water utility service and inquires whether the company elects to sell its plant and property to the City.

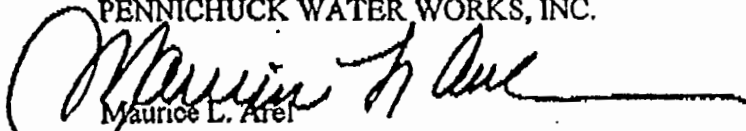
I have been authorized by a unanimous vote of the board of directors to notify you that Pennichuck Water Works does not wish to sell its plant and property and that we strongly believe that such a sale would not be in the interest of the company's customers, its employees or its shareholders.

As you know, Pennichuck Water Works has provided first class water service to the residents and businesses of Nashua for 150 years. In recent years, the company has also extended service to numerous community water systems throughout towns in Southern and Central New Hampshire, bringing safe and reliable water service to citizens who previously faced serious water quality issues.

I do not believe that the City or any political entity will be able to provide the level of customer service or meet the extensive capital and operational needs of such a system as successfully as Pennichuck has done over the decades. In addition, if the City were to acquire the assets of Pennichuck Water Works, Pennichuck East Utility and Pittsfield Aqueduct Company, as the City is proposing, the shareholders of Pennichuck Corporation, the parent company of the three utilities, would be left with a company whose economic viability would be seriously in doubt. These results are unacceptable, and our board of directors is determined to take all appropriate steps to ensure that they do not come to pass.

In responding to the Mayor's letter of February 5, it is not my intention to concede that the City has the legal authority to acquire the assets that are the subject of the letter. Nevertheless, as a courtesy to the Mayor and Aldermen, I am providing this written response. The company hereby reserves the right to raise any and all arguments in opposition to any effort by the City or others to take the company's property by eminent domain.

Sincerely,
PENNICHUCK WATER WORKS, INC.



Maurice L. Arel
President and Chief Executive Officer

EXHIBIT D



Mayor Bernard A. Streeter
Nashua, New Hampshire

March 26, 2003

Maurice Arel, CEO
Pennichuck Corporation
P.O. Box 448
Nashua, New Hampshire 03061

RE: City of Nashua Acquisition of Pennichuck Water System


Dear Mr. Arel:

This is in response to your recent letters indicating that your company is not willing to sell plant and property of the Pennichuck water system to the City of Nashua.

As you know, the City has determined that the acquisition is in the public interest based on the 78 percent vote of the people at the special election in January and the vote of the Board of Aldermen to acquire all plant and property of the three regulated utilities.

The City will now proceed under RSA 38:10 to petition the Public Utilities Commission in order to complete the acquisition of the plant and property specified in the City's letters sent earlier under RSA 38:6.

Very truly yours,


Bernard A. Streeter
Mayor

cc - Board of Aldermen

824942412111

Nashua City Hall • Mayor's Office • 229 Main St. • Nashua, New Hampshire, 03061-2019
603.889.3260 • Fax 603.594.3450
Email mayor@ci.nashua.nh.us website: gonashua.com

EXHIBIT E

Pennichuck Corporation

December 15, 2003

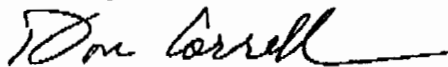
Mayor Bernard A. Streeter
City of Nashua
City Hall, C.S. 2019
Nashua, NH 03061-2019

Dear Mayor Streeter:

Attached is a copy of the Company's press release issued today. As stated in the release, the Board of Directors has unanimously rejected your proposal to purchase the assets of Pennichuck Corporation. The Board, in consultation with its financial, tax and legal advisors, reached its decision after conducting a full and thorough review of the proposal that included attempts to seek clarification on certain important issues from city representatives.

For your information, I have attached another copy of a letter sent to you and Alderman McCarthy on Friday, in the event you have not received it.

Sincerely,



Donald L. Correll
President and Chief Executive Officer

Enclosures



**For immediate release:
December 15, 2003**

**For additional information please contact
Donald Correll, president and chief
executive officer, at 603-882-5191**

Pennichuck Corporation Rejects City of Nashua Purchase Proposal

NASHUA, N.H. (December 15, 2003) – Pennichuck Corporation (NASDAQ: PNNW) today announced that the board of directors has unanimously rejected a proposal by the city of Nashua to purchase all assets of Pennichuck Corporation and subsidiaries for \$121 million in cash. The board, in consultation with its financial, tax and legal advisors, reached its decision after conducting a full and thorough review of the proposal that included attempts to seek clarification on certain important issues from city representatives. In rejecting the proposal, the board concluded that:

- The city's proposal is inadequate and not in the best interests of shareholders;
- The proposal underestimates the value of Pennichuck assets, the underlying value of Pennichuck shares, and potential tax liabilities that would result from the proposed transaction;
- The proposal is an attempt to obtain control of company assets without paying fair market value.

In rejecting the proposal, the board acknowledged that the city has indicated it will pursue condemnation of the company's water utility assets through an eminent domain proceeding before the New Hampshire Public Utilities Commission.

Donald Correll, president and chief executive officer of Pennichuck, said, "We do not believe the city of Nashua performed the due diligence to properly evaluate Pennichuck assets based on fair market value, nor did it take into consideration the tax event that would be triggered by a cash transaction. The board's decision to reject the proposal is a clear indication that the company takes its fiduciary responsibility very seriously, and will take whatever steps are necessary to protect the interests of customers, shareholders, and employees.

Pennichuck Corporation is a holding company located in Nashua, New Hampshire with three wholly-owned operating subsidiaries involved in regulated water supply and distribution in

Nashua and towns throughout southern and central New Hampshire; non-regulated, water-related services conducted through Pennichuck Water Service Company; and real estate management and development activities conducted through The Southwood Corporation.

Pennichuck Corporation is traded on the NASDAQ NMS exchange under the symbol "PNNW".

--end--

EXHIBIT F

Pennichuck Corporation

December 12, 2003

Mayor Bernard A. Streeter
Alderman Brian S. McCarthy
City of Nashua
C.S. 2019
Nashua, NH 03061-2019

Dear Mayor Streeter and Alderman McCarthy:

We are writing to express our deep concern regarding your use of false and misleading statements to try to influence Pennichuck stockholders and other members of the public to apply pressure on Pennichuck's board of directors to capitulate to your demand that the company sell its assets to the City of Nashua. These intentional or reckless misstatements raise serious issues as to the propriety of the City's actions and we believe they may well violate federal and state securities laws.

Over a year ago, the Nashua Board of Aldermen voted to pursue the acquisition of the water system serving the City and others. The timing of that vote and the scheduling of the subsequent public vote were plainly intended to interfere with Pennichuck's then pending transaction with Philadelphia Suburban Corporation (PSC). Once the PSC deal was terminated, the City put its municipalization efforts on hold, and no meaningful efforts to pursue acquisition of Pennichuck's water assets occurred until the November mayoral election campaign was in full swing. At that point, the Mayor's legal representatives contacted Pennichuck to arrange a meeting to discuss the subject.

During the late summer and early fall of this year, we held several meetings to discuss the broad outline of a possible transaction. It was clear from those meetings that the City had not engaged the necessary financial, tax or valuation experts to assist it in the transaction, and as a result the discussions were superficial at best. Despite the clear lack of progress during those discussions, as noted by both of you in the press, Mayor Streeter nevertheless chose to publicly characterize our meetings as constituting "active negotiations." At the time, we viewed the Mayor's choice of words as merely reflecting the political needs of the moment.

Although we may have understood the Mayor's desire at the time to handle the water municipalization issue in a manner that served his political needs, we are extremely concerned about the City's more recent attempts to communicate improperly to our shareholders and intimidate Pennichuck's board of directors. The pattern of conduct and statements by City officials during recent weeks would lead a reasonable observer to only one conclusion--that the City and its representatives are attempting to gain their objective of purchasing Pennichuck through misleading public statements and improper influence on trading in the company's stock. Some specific examples of this conduct are set forth on the attachment we are enclosing with this letter.



Based on our prior discussions and the information that should have been available to you from your advisors, the City's representatives knew or should have known that your repeated statements comparing the PSC transaction to the City's offer were false and misleading. At a minimum, it is clear that those statements were reckless and were made without regard to the potential harm they could cause to the public. Pennichuck strongly believes that the misstatements and omissions by City officials regarding these matters were material in nature, and therefore they may well be actionable under federal and state securities laws.

Observing the conduct of the Mayor and other City representatives, one can only conclude that the City's use of the press in its campaign against Pennichuck is part of a coordinated effort by City officials to mislead the public and Pennichuck shareholders for the City's benefit. We have assumed that none of the City officials involved in these matters are, or were during the time of these events, shareholders of Pennichuck or were providing information regarding the City's planned proposal to those considering trading in Pennichuck stock. If that assumption turns out to be incorrect the ramifications of the City's actions could be even more serious. You should be aware that the Company has been informed during the last week that NASD is investigating trading in Pennichuck stock that occurred surrounding the City's announcement. We plan to cooperate fully in responding to that investigation and any others that may be undertaken by state and federal regulators.

There simply was no legitimate business reason for the City to publicize its November proposal by announcing its press conference even before the offer had been communicated to the company. Nor was there any legitimate business reason for the City to conduct a broad and misleading media campaign before the company had a reasonable opportunity to respond to the City's proposal. Indeed, City representatives indicated at their press conference on November 20 that they expected that the offer would be rejected, and that, if that occurred, they intended to continue with their legal efforts to take Pennichuck's assets by eminent domain.

If the City's proposal had truly been made in a good faith effort to reach agreement, you could easily have communicated the proposal directly to the company without a lot of public fanfare and then coordinated the timing of a press release in order to avoid harming those trading Pennichuck stock or long term investors who have remained Pennichuck shareholders throughout the recent turmoil. Instead, the City and its representatives intentionally engaged in an active PR campaign with the aim of misleading Pennichuck shareholders and attempting to influence them to pressure Pennichuck's board of directors to embrace the City's proposal. Worse yet, all of this appears to have been part of a calculated effort to avoid the expense and uncertainty of an eminent domain process being planned by the City.

Mayor Bernard A. Streeter

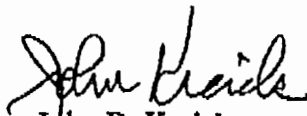
December 12, 2003

Page 3

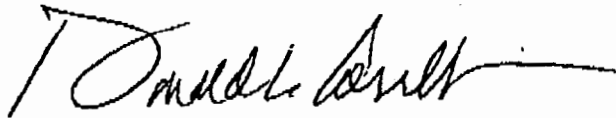
The irresponsible tactics used by the City in its efforts to take Pennichuck by eminent domain have adversely impacted trading in the company's stock and appear also to be aimed at damaging the morale of the company's dedicated employees. Those employees are critical to the ability of Pennichuck to continue to deliver the quality service on which the company has built its reputation over the last 150 years, and, despite the City's tactics, they remain diligent in their efforts to provide the highest level of service to our customers.

We can assure you that we intend to protect the legitimate interests of our customers and shareholders and that we will oppose any effort by the City to use the legal process, or the financial markets, to take the company's assets on any basis that does not fairly account for those interests. We are hopeful that you will reconsider the strategy you have chosen thus far, so that we can spend our efforts considering the merits of any such transaction, rather than the tactics used to obtain it. In the meantime, our company and its employees will continue to focus all of our efforts on delivering quality service to the people of Nashua and the many other communities we serve.

Sincerely,



John R. Kreick
Chairman of the Board



Donald L. Correll
President and Chief Executive Officer

Enclosure

cc: Board of Aldermen

F:\DONALD L. CORRELL\Letter to Mayor and Aldermen re stock trading issues.DOC

**Summary of Nashua's Tactics and Statements Made
to Influence Pennichuck Shareholders and Board**

- Despite the fact that City and Pennichuck representatives had been meeting over the course of more than two months, the City chose to notify the media that it was making its "best and final offer" prior to delivering that offer to Pennichuck. In particular, on November 20, the date on which the Mayor announced the City's proposal, Don Correll received media calls regarding the announcement and was asked to respond to statements by City officials before the offer had been received. Ultimately, the proposal was hand-delivered about an hour before Mayor Streeter appeared to speak at a press conference on the subject.
- The City's written offer and numerous subsequent statements made by Mayor Streeter, Alderman McCarthy and other City representatives asserted that the proposal was meant to put Pennichuck shareholders in the same position as if the PSC stock purchase transaction had been completed. Despite these statements, the City has refused to provide any evidence that the \$15 million in corporate taxes it says are covered by the offer in fact equate to the amount necessary to put Pennichuck's shareholders in such a position. The City is well aware from prior discussions that the amount necessary to cover the corporate taxes that would actually be payable in order for the City's offer to be comparable to the PSC transaction are many times higher than what the City has said they are.
- The manner in which the City announced its proposal, coupled with the City's mischaracterization of the economic consequences of the offer, dramatically roiled and confused the market for Pennichuck stock. Normally, one can expect approximately 2,800 shares of Pennichuck stock to change hands on NASDAQ on an average trading day. On the day the City announced its offer, volume increased to 26,360 shares, even though the Mayor's press conference regarding the offer did not begin until after the stock market had closed.
- The confusion in the markets increased substantially the next day, November 21, when an unprecedented volume of 229,162 Pennichuck shares were traded, a volume that was nearly 10% of all of Pennichuck's outstanding shares and 137% of the highest daily trading volume that Pennichuck had ever experienced. This tremendous surge in trading was accompanied by wild gyrations in the market price of Pennichuck stock, which moved between the previous day's close of \$23.90 to as high as \$35.00. In fact, at one point NASDAQ halted trading in the company's stock because of the turmoil created by the City's statements.
- Beginning on November 21 and continuing to the present, Pennichuck has received literally hundreds of calls from confused and frustrated investors seeking to understand the City's announcement, particularly the City's characterization of the economic consequences for Pennichuck shareholders.

- The City's assertions that the economic consequences to Pennichuck shareholders under the City's proposed transaction would be equivalent to the economic consequences of the PSC acquisition are unequivocally false and misleading. In particular, the City's assertions have grossly misstated the tax consequences to Pennichuck and its shareholders of the City's proposal. As noted above, the \$15 million for corporate taxes that the City included in its proposal plainly would not be sufficient to cover the taxes resulting from the City's offer, something which City officials are well aware of based on prior discussions. In fact, the corporate taxes alone (without reflecting the impact of personal taxes that would have to be borne by shareholders and would not have resulted from the PSC transaction) would be many multiples higher than what the City has offered. As a result, and based on a preliminary analysis by the Company of the City's offer and subsequent clarifications provided by your legal counsel, it is highly likely that the City's proposal would result in a value for the company that is less than the range in which the Company's stock was trading even prior to that proposal being made. Moreover, none of the City's representatives contacted Pennichuck or its advisors to obtain Pennichuck's estimate for the corporate tax that would be incurred under the City's November 20 proposal.
- The City has consistently ignored, in both public statements by the Mayor and in discussions with public officials and the general public, the considerably more favorable tax and other economic consequences that Pennichuck shareholders would have enjoyed had the PSC transaction been consummated. These differences are of critical importance to shareholders and those considering purchasing Pennichuck stock in deciding how to compare various transactions, but are not accounted for in any statement by the City.
- The adverse effect of the City's false and misleading assertions about its proposal have been greatly exacerbated by the City's deliberate use of the Nashua Telegraph and other newspapers to reiterate and amplify its assertions. A November 21 article that appeared in the Telegraph is particularly illustrative. The article stated that the City is willing to exceed the offer that PSC made and that "[i]n going public the city's negotiating team suggested that pressure from the shareholders could make the company more willing to settle" and cited statements by Alderman McCarthy that "[t]he city's offer . . . equals the proposal put forward by [PSC] Stockholders would be as financially well off as if the [PSC] deal had gone through." In addition, the article quoted the City's legal counsel as stating that "Pennichuck shareholders might want to be in touch with the company's directors and voice their opinions on the offer."
- Similarly, a November 25 Telegraph article quoted Mayor Streeter and asserted that the City's proposal was structured to "match" the PSC deal and include \$15 million for shareholders' tax liabilities.