

WATER SUPPLY AND INDEMNITY AGREEMENT

THIS WATER SUPPLY AND INDEMNITY AGREEMENT is made as of this 4th day
January 2008
of December, 2007 by and between the Town of Milford, a municipal corporation established and
existing under the laws of New Hampshire (hereinafter referred to as "Milford"), with an address of
Town Hall, One Union Square, Milford, New Hampshire 03055, and the City of Nashua, a
municipal corporation established and existing under the laws of New Hampshire (hereinafter
referred to as "Nashua"), with an address of City Hall, 229 Main Street, Nashua, New Hampshire
03060.

RECITALS:

WHEREAS, Milford has entered into an Agreement with Pennichuck Water Works, Inc.,
a public water system located primarily in Nashua and Merrimack, New Hampshire
("Pennichuck"), dated as of March 21, 2002, pertaining to the provision of water supply for
Milford, which Agreement is attached hereto as Attachment A (the "Pennichuck Agreement");
and

WHEREAS, Nashua desires, pursuant to RSA 38, to acquire by eminent domain and
operate the existing public water system currently owned and operated by Pennichuck; and

WHEREAS, Milford desires to contract with Nashua, and Nashua desires to contract with
Milford, that, should the New Hampshire Public Utilities Commission (the "NHPUC") approve
Nashua's pending RSA 38 petition, Nashua will assume the obligations of Pennichuck under the
Pennichuck Agreement and will provide water supply and related services to Milford upon and
subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual
covenants contained herein, and for other good and valuable consideration, the receipt and
sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Agreement Conditional Upon NHPUC Approval. The effectiveness of this Agreement is
conditioned upon the receipt of final, non-appealable approval of Nashua's pending RSA 38
petition.

2. Taking and Continuity of Water Supply. Upon the occurrence of the condition set forth in Section 1 above, and Nashua's subsequent acquisition, directly, indirectly, or by or through a successor-in-interest to Nashua, of water supply assets currently owned and operated by Pennichuck, such that Pennichuck's performance of its obligations under the Pennichuck Agreement is excused, frustrated, or rendered impracticable (in any case, a "Taking"), Nashua shall assume and thereafter perform all obligations of Pennichuck under the Pennichuck Agreement and provide Milford with water supply and related services pursuant to the terms and conditions of the Pennichuck Agreement, with the exception of the termination clause in Section 5 thereof which shall no longer have any force or effect, and Nashua shall also perform all of the additional terms and conditions set forth in this Agreement. For the avoidance of doubt, Nashua agrees hereunder to fully perform each all of the obligations of Pennichuck under the Pennichuck Agreement as if Section 5 thereof had never been included therein.

3. Continued NHPUC Regulatory Jurisdiction. Nashua acknowledges and agrees that the NHPUC has and will maintain regulatory jurisdiction over Nashua's provision of water supply and related services to Milford.

4. No Challenge to NHPUC Jurisdiction. Nashua agrees not to initiate, instigate, support, or sponsor, directly or indirectly, any suit, action, appeal, collateral attack, legislation, or other effort to challenge, negate, restrict, limit, or remove the jurisdiction of the NHPUC over Nashua's provision of water supply and service to Milford.

5. Indemnification. Nashua and its successors, transferees and/or assigns shall indemnify, defend and hold harmless Milford from and against any and all claims, demands, damages, liabilities, suits, actions, causes of action, proceedings, rate increases (except those specifically contemplated by the Pennichuck Agreement), costs and expenses, including, without limitation, reasonable attorney's fees and expenses (collectively, the "Indemnified Losses"), asserted against or incurred by Milford arising from, related to, or as a direct or indirect result of the breach of any obligation, covenant, representation, or warranty contained in the Pennichuck Agreement and/or this Agreement by Nashua, or by any of its permitted assignees, successors or transferees. In the event that the NHPUC declines, whether or not on its own motion, to exercise regulatory jurisdiction over Nashua's provision of water supply and related services to Milford for the term of the obligations assumed and agreed to be performed by Nashua hereunder, this Agreement, the Pennichuck Agreement and such obligations shall be enforceable by petition to the Hillsborough County

Superior Court, Southern District, and Nashua and its successors, transferees and/or assigns shall indemnify and hold Milford harmless against any Indemnified Losses incurred by Milford arising from, related to, or as a direct or indirect result of any such declination of jurisdiction. The rights and obligations of the parties under this Section 5 shall survive the expiration or any earlier termination of this Agreement.

6. Assignment. Neither party hereto may assign or transfer this Agreement and/or the Pennichuck Agreement, or any of its rights or obligations hereunder or thereunder, in whole or in part, without the prior written consent of the other party, except as provided for below. Any transfer, conveyance or assignment by Nashua of all or any substantial part of the former assets of Pennichuck to the Merrimack Valley Regional Water District or to any other entity shall be completed only if the transferee, grantee, or assignee of such assets has agreed in writing to assume and perform each and all of the obligations of Nashua hereunder, and no such transfer, conveyance, or assignment shall relieve Nashua of its obligations to Milford hereunder.

7. Binding Effect, Transfer and Succession. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted transferees and assigns. The obligations of Nashua under this Agreement and the Pennichuck Agreement shall be binding upon any acquiror or transferee of any of the water supply assets used, useful and/or usable by Nashua to provide water supply and related services to Milford hereunder, and any instrument purporting to convey any such assets shall include an explicit agreement by the acquiror or transferee to be bound to perform Nashua's obligations under this Agreement and the Pennichuck Agreement. It is understood and agreed by both parties to this Agreement that any such acquisition, transfer, or assignment shall in no way amend, modify, compromise, diminish, or alter this Agreement and/or the Pennichuck Agreement, or any of the terms and conditions hereof or thereof.

8. Notices. Any notice, request, report, or other document required or permitted under the this Agreement and/or the Pennichuck Agreement shall be in writing and sent by certified mail, return receipt requested, postage prepaid and addressed to the individuals identified and at the addresses set forth in Attachment B to this Agreement (or to such other address as either party may hereafter designate by written notice given as aforesaid), and such notice shall be deemed effective upon receipt.

9. Entire Agreement; Amendment. This Agreement and the assumed provisions of the Pennichuck Agreement contain the entire agreement between the parties hereto with respect to the subject matter hereof and supersede any and all prior or contemporaneous negotiations, discussions, representations, understandings and agreements, whether written or oral, between the parties with respect to such subject matter, all of which are merged herein. No amendment, modification, change, or addition to this Agreement or the Pennichuck Agreement shall be effective unless made in a written instrument signed by both the Town of Milford Board of Selectmen and the Mayor or Board of Aldermen for City of Nashua.

10. Severability. In the event that any one or more of the provisions contained in this Agreement and/or the Pennichuck Agreement shall, for any reason, be held by the NHPUC or a court of competent jurisdiction in a final, non-appealable ruling to be invalid, illegal, or unenforceable in any respect, such provision(s) shall be modified or amended only to the extent necessary to remove the invalidity, illegality, or unenforceability. Should such amendment or modification of such provision(s) be impossible, this Agreement and the Pennichuck Agreement shall be construed as if it never contained the invalid, illegal, or unenforceable provision(s), and such provision(s) shall not affect any other provision of this Agreement and/or the Pennichuck Agreement.

11. Governing Law. This Agreement is made and executed in the State of New Hampshire, and the validity, interpretation, performance, and enforcement thereof shall be construed in accordance with, and shall be governed by and enforced under, the substantive laws of the State of New Hampshire, without regard to the conflicts of law principles of said State or of any other jurisdiction.

12. Jurisdiction and Venue. The parties hereto agree that jurisdiction and venue to interpret and enforce this Agreement and/or the Pennichuck Agreement lie with the NHPUC and the Hillsborough Superior Court Southern District for the State of New Hampshire, and the parties hereby waive any objection to such jurisdiction and venue, including any objection to an inconvenient forum. If the NHPUC declines to exercise jurisdiction over claims arising under over this Agreement and/or the Pennichuck Agreement, or if for any reason its jurisdiction over claims arising under this Agreement and/or the Pennichuck Agreement is negated, restricted, limited, or removed, then claims arising under this Agreement and the Pennichuck Agreement

shall be subject to the exclusive jurisdiction and venue of the Hillsborough Superior Court for the State of New Hampshire and shall be interpreted and enforced thereby.

13. Right to Specific Performance. Nashua acknowledges that the unique and particular nature of the water supply and related services to be provided by Nashua to Milford under this Agreement and the Pennichuck Agreement renders money damages an inadequate remedy for the failure by Nashua to perform its obligations under this Agreement and the Pennichuck Agreement, and that Milford otherwise lacks an adequate remedy at law for Nashua's failure to perform such water supply and related service obligations for the benefit of Milford. Nashua agrees that, in the event of any such failure by Nashua to perform such water supply and service obligations under this Agreement and the Pennichuck Agreement, Milford shall be entitled to obtain a decree of specific performance of this Agreement, and/or an injunction or other similar equitable remedy, without the posting of any bond or other security or assurance therefor. The foregoing rights and remedies are in addition to, and not in limitation of or to the exclusion of, any of Milford's other rights and remedies under this Agreement and/or the Pennichuck Agreement, at law, or in equity.

14. Waiver. None of the provisions of this Agreement or the Pennichuck Agreement may be waived except in a writing signed by the party against which waiver is sought to be enforced. In the case of the Town of Milford, no waiver shall be valid unless in writing, signed and authorized by its Board of Selectmen. In the case of the City of Nashua, no waiver shall be valid unless in writing, signed and authorized by its Mayor or Board of Aldermen. The failure of a party to enforce any right arising under this Agreement and/or the Pennichuck Agreement on any one or more occasion(s) shall not operate as a waiver of that or any other right on that or any other occasion.

15. Rights Cumulative. Unless expressly stated to the contrary therein, all rights and remedies of the parties under this Agreement and/or the Pennichuck Agreement shall be cumulative, and the exercise of one or more rights or remedies shall not preclude the exercise of any other right or remedy available under this Agreement and/or the Pennichuck Agreement, at law, or in equity.

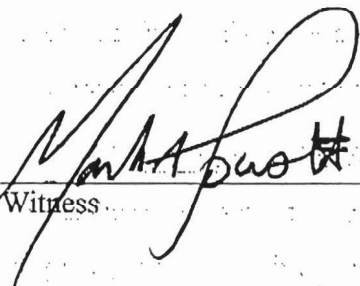
16. Representations and Warranties. Each party represents and warrants to the other party that its execution, delivery, and performance of this Agreement have been duly authorized and

approved by all necessary actions of its governing body and/or its legislative body, and any other required agency or entity, that this Agreement represents the binding obligation of such party, enforceable in accordance with its terms and conditions, and that the performance of its obligations hereunder will not contravene any contract, agreement, bond, indenture or other commitment to which it is a party or by which it or any of its properties is bound or subject.

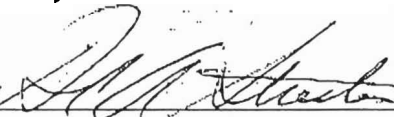
17. Captions. The section headings and captions of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and shall not affect the interpretation or construction of any term or provision of this Agreement.

18. Counterparts. This Agreement may be executed in one or more counterparts, and by the parties hereto on separate counterparts, each of which shall be deemed an original for all purposes, but all of which together when fully executed shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement by and through their respective duly authorized representatives as of the date first written above.

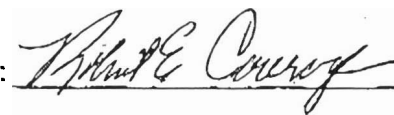

Witness

CITY OF NASHUA
By Its Mayor and Board of Aldermen

By: 
Name: BERNARD A. STREETOR
Title: MAYOR
Duly Authorized


Witness

TOWN OF MILFORD
By Its Board of Water & Sewer Commissioners

By: 
Name: Robert E. Courage, Chairman

Sam R. Quinn
Witness

Sam R. Quinn
Witness

By: Walter E. Murray, Jr.
Name: Walter E. Murray, Jr.

By: Peter R. Leishman
Name: Peter R. Leishman