

**NORTHERN UTILITIES, INC.
\$80,000,000 SENIOR UNSECURED NOTES
INDICATIVE TERMS AND CONDITIONS**

Issuer: Northern Utilities, Inc. (the "Company")

Issue: Senior Unsecured Notes (the "Notes")

Principal Amount: \$80,000,000

Noteholders: To be determined at the time of pricing

Placement Agent: RBC Capital Markets

Maturity: Multiple series with three maturities/average life tranches as follows: 10 year/9year; 20 year/15.5 year; and 30 yer/25.5 year from the date of Takedown, final tranche breakdowns to be determined based on depth of investor appetite for each series

Interest Rate: Each series to be priced at a spread over the comparable U.S. Treasury Note yield at the time of pricing. Interest will be payable semiannually in arrears

Offering Price: 100% of Principal Amount

Expected Offering Date: Approximately September 1, 2008

Expected Takedown Date: Approximately November 3, 2008

Use of Proceeds: To refinance a portion of the Company's capitalization upon the acquisition of the Company by Unitil Corporation and for general corporate purposes.

Ranking: The notes shall rank pari-passu with the Company's other senior unsecured debt

Optional Redemption: The Notes will be redeemable in amounts of at least \$100,000 at the option of the Company, in whole or in part, at any time on not less than 15 days notice, at an amount equal to par plus accrued interest plus a Make Whole Premium, if any. Series of the Notes with final maturities of 20-30 years may allow a "double up" of required principal payments with no premium in any given year (subject to an overall maximum) and may include the right to prepay such series at par during two to three years subsequent to the original average life.

Financial Covenants:

*Limitations on Funded
Indebtedness:*

The Company may incur additional Funded Indebtedness only if after giving effect to the intended application of the proceeds thereof (i) on a consolidated basis, total Funded Indebtedness would not exceed 65% of Total Capitalization.

*Limitation on Liens
(Negative Pledge):*

The Company will not directly or indirectly, create, assume, or suffer to exist, except in favor of the Company, any lien upon any of its properties or assets, real or personal, whether now owned or hereafter acquired, or upon any income or profits therefrom without making effective provision whereby the Notes then outstanding shall be secured by such lien equally and ratably with any and all other secured obligations except for certain liens as expressly permitted by the Note Purchase Agreement including, currently existing liens, liens securing indebtedness not exceeding \$10 million, purchase money mortgage or other type of similar liens to secure or provide for the payment of the purchase or construction of property limited to \$10 million, refunding or extensions of existing liens, deposits, pledges or liens to secure payments of worker's compensation, unemployment insurance or similar type liens, deposits, pledges or liens to secure the performance of bids, tenders, contracts or leases, mechanics or workmen's type liens, deposits or pledges, judgment liens, deposits or pledges with respect to which the Company or the relevant Subsidiary is prosecuting in good faith, liens for taxes not yet subject to penalties, deposits, pledges or liens to secure public or statutory obligations, surety, stay or appeal bonds, minor survey exemptions, or minor encumbrances, easements or reservations of, or rights of others for rights of way, sewers, electric lines and telephone lines, liens in connection with the lease of conversion burners, water heaters or other similar liens, liens in connection with the financing of gas, other fuel inventories or other similar gas liens, liens incurred with the purchase and sale of natural gas (including transmission charges) or guarantees with respect to obligations under such contracts and liens on property acquired through merger, consolidation, or purchase of assets

*Mergers and
Consolidations and
Sales of Assets:*

Mergers, consolidations and sales of assets will be permitted only if at the time, no default with respect to the Notes exists and the resulting or continuing corporation shall agree to comply with and become subject to the terms of the Note Agreement and the Notes

Restrictions on Dividends:

The Company will not declare dividends (other than on its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of or make any distribution, through reductions of capital stock or otherwise, in respect of any shares of its common stock, if, after giving effect to such distribution, the aggregate of (x) all such distributions declared, paid, made or applied subsequent to [January 1, 2008], plus (y) all dividends, distributions and other charges against net income on account of preferred stock of the Company after the said date shall exceed 100% of the Company's Net Income accumulated from the date of the Takedown, plus \$9,000,000.

Maintenance of Insurance:

The Company will insure to a reasonable amount with reputable insurance companies its properties against loss by fire and other causes or, in lieu thereof, it will maintain a system or systems of self-insurance which will accord with the approved practices of companies owning properties of a similar character and maintaining such systems

Other Covenants:

Customary non-financial covenants for a senior note financing, including:

- (a) maintenance of properties;
- (b) payment of taxes;
- (c) maintenance of corporate existence, license and permits;
- (d) compliance with laws and regulations; and
- (e) limitation on transactions with affiliates

Approval:

The sale of the Notes and the size of such issuance is subject to the approval of the New Hampshire Public Utilities Commission and Maine Public Utilities Commission and such other regulatory authorities as may have jurisdiction

Fees and Expenses:

The Company will pay for all reasonable fees and expenses of the transaction including the reasonable fees and expenses of lenders' special counsel

Rights of Inspection:

Lenders, at their own expense and upon reasonable notice, may visit the Company and its accountants during customary business hours to inspect the Company's records and to discuss its operating results and financial position

Financial Statements: The Company will provide to the Noteholders (including by making publicly available through electronic filing with the SEC, with respect to 2 and 4):

1. quarterly (unaudited) consolidated financial statements within 60 days after the end of each of the first three such quarterly periods, certified by an authorized officer;
2. quarterly (unaudited) consolidated financial statements of Unitil Corporation within 60 days after the end of each of the first three such quarterly periods;
3. annual (audited) consolidated financial statements within 90 days after the end of each year;
4. annual (audited) consolidated financial statements of Unitil Corporation within 90 days after the end of each fiscal year; and

Representations and Warranties: Customary representations and warranties for a senior note financing

Defaults: Events of Default include not only defaults in the payment of interest or principal due, but also defaults in the performance or observance of any covenants, agreements or conditions of the Note Purchase Agreement and the continuance thereof 30 days after written notice

General: The Notes will be issued pursuant to a Note Purchase Agreement in a form mutually agreeable to the Company and the purchasers. Counsel for the Company will provide an initial draft of the documents

Private Placement Agent: RBC Capital Markets

Company Counsel: Dewey & LeBoeuf LLP

Proposed Investors Counsel: Chapman and Cutler

Governing Law: TBD

Definitions:

Funded Indebtedness: All indebtedness for borrowed money of the Company payable more than one year from the date as of which Funded Indebtedness is being determined, and all indebtedness payable within such year which may be renewed or extended beyond such year pursuant to the terms of the agreement or

instrument under which such indebtedness was incurred, but there shall be excluded sinking fund, serial maturity, periodic installment and amortization payments on account of indebtedness which are required to be made within such year. Funded Indebtedness does not include: (a) obligations under contracts for the purchase by it of natural gas, including transmission charges, (b) pension and benefit obligations, whether or not absolute or contingent or included, in accordance with GAAP, in determining total liabilities on the balance sheet, (c) obligations under capital and operating leases (d) environmental obligations, and (e) regulatory liabilities.

Lien: Shall mean as to any entity, any mortgage, lien, pledge, adverse claim, charge, security interest or other encumbrance in or on, or interest or title or any vendor, lessor, lender or other secured party to or of the entity under conditional sale or other title retention agreement or capital lease with respect to, any property or asset of the entity

Make Whole Premium: Make Whole Premium shall be defined as the difference (not to be less than zero) between (a) the present value of the expected future cash flows from any series of the Notes (minus any accrued interest) discounted at a rate equal to the then current Treasury Note yield corresponding closest to the remaining maturity on any such series of Notes calculated at the time of the prepayment plus 50 basis points, and (b) the Principal Amount outstanding

Net Income (Deficit): The amount of net income (or deficit) of the Company for the period in question transferred to the retained earnings account on the books of the Company, as determined in accordance with GAAP, on a consolidated basis

Total Capitalization: At any date means the sum of (x) Funded Indebtedness, and (y) the aggregate amount for total common stock equity, preferred stock and preference stock as presented in accordance with GAAP on a consolidated balance sheet of the Company as of such date. Such Total Capitalization shall be exclusive of Accumulated Other Comprehensive Income.

Key Financing Considerations

	Discussion Points	Assessment and Conclusion
Funding availability / Investor preference	<ul style="list-style-type: none"> • \$80 million transaction size will attract a full range of private placement investors • Approx. 1/3 of investor universe [40 institutions] have aggressive appetite for longer maturities [20+ years] • Given current yield curve, investors are somewhat biased to longer maturities • 10-year area is attractive to full spectrum of investors 	<ul style="list-style-type: none"> • Proposed structure will facilitate a competitive process across the yield curve and match investor preferences • Northern will remain open to investors showing aggressive alternatives
Cost structure of yield curve	<ul style="list-style-type: none"> • Current yield curve is approx. 70 bps from the 5 - 10-year UST and 70 bps from 10 - 30-year UST • Current level of treasuries is near historical lows • Maturities less than 10 years are less attractive to investors and less consistent with asset lives of acquisitions 	<ul style="list-style-type: none"> • Proposed structure offers significant interest expense savings compared to an all long-term structure
Liability matching to asset lives	<ul style="list-style-type: none"> • Acquired assets generally a 20-30 year plant 	<ul style="list-style-type: none"> • Proposed structure generally matches asset lives considering depreciation
Minimization of refinancing risk vs. size economies in refinancing amounts	<ul style="list-style-type: none"> • Objective is to avoid large single year refinancing risks • Tools to mitigate refinancing risk include amortizing structures and optional redemption features (if available) • Objective is to increase minimum new issue size to \$15-20+ million level to appeal to a broader group of investors 	<ul style="list-style-type: none"> • Proposed sinking fund structure results in a relatively smooth maturity pattern • This structure allows greater flexibility with future refinancing transactions
Impact of Northern financing on overall UTL liability management	<ul style="list-style-type: none"> • Matches the smaller Granite State financing with the Northern Utilities financing to improve execution • Concurrent financings among other operating entities less relevant 	<ul style="list-style-type: none"> • Proposed structure works well with existing liability management program
Documentation structure	<ul style="list-style-type: none"> • Certain investors may have preference for FMB structure • Unsecured structure is far less costly and easier to execute • Pricing for unsecured would be comparable to FMB given breadth of offering and familiarity with issuer. 	<ul style="list-style-type: none"> • Proposed structure is for unsecured notes
Timing	<ul style="list-style-type: none"> • Timing is largely dictated by regulatory process • Investors are prepared to price months in advance of closing date 	<ul style="list-style-type: none"> • Reference proposed timetable • Propose to actively monitoring of debt markets prior to launching transaction to dictate exact timing

Indicative Coupon Rates

Senior Unsecured Notes

Issuer: Northern Utilities, Inc. (the "Company"), a wholly-owned subsidiary of Unitil Corporation

Issue: Senior Unsecured Notes (the "Notes")

Principal: \$80,000,000 across multiple tranches

Ratings: Unrated, marketed as NAIC 2

Maturity / Average Life:	10 year / 9 year	20 year / 15.5 year	30 year / 25.5 year
Tranche Size:	\$10,000,000	\$20,000,000	\$50,000,000
UST Benchmark:	3.875% 5/18	Interp	4.375% 2/38
UST Benchmark Yield (at May 10th):	3.78%	4.51%	4.52%
Spread:	275	275	295
Coupon:	6.53%	7.26%	7.47%
Libor Equivalent Spread (bps):	215	250	264

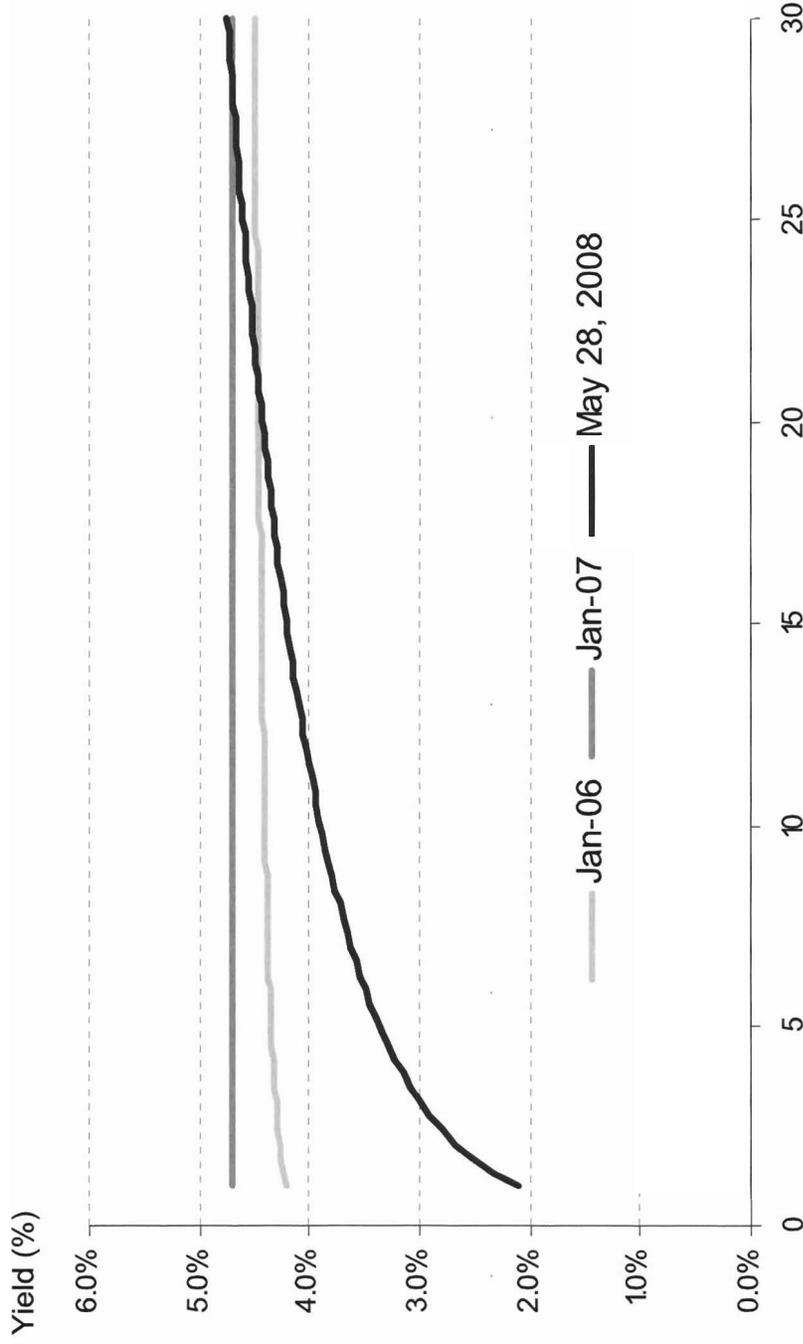
Amortization Equal amounts in yrs 8-10 Equal amounts in yrs 11-20 Equal amounts in yrs 21-30

Call: Make-whole, T+0.50% Make-whole, T+0.50%;
Optional double-up Make-whole, T+0.50%;
Par call in yrs 26-30
Optional double-up

Use of Proceeds: Refinance portion of acquisition debt / permanent financing

Ranking: Pari passu with all present and future senior unsecured debt of the Company

UST Yield Curves



UST Historical Yields

Historical 5-year, 10-year and 30-year U.S. Treasury Notes



Northern Utilities, Inc.
Post and Pre Acquisition
Cost of Capital
Proforma 12/31/2007
(\$ millions)

Post - Closing Capitalization and Cost of Capital (Proforma)				
	Amount	Percent of Capitalization	Estimated Cost (%)	Weighted Cost (%)
Common Equity	\$ 80.0 ⁽¹⁾	50%	9.67% ⁽³⁾	4.84%
Long-term Debt	80.0 ⁽¹⁾	50%	7.09% ⁽⁴⁾	3.55%
	<u>\$ 160.0</u>			<u>8.38%</u>
Short-Term Debt:				
Purchase Gas Financing	18.5			
Other Working Capital	3.5			
	<u>\$ 22.0 ⁽²⁾</u>			
Total Capitalization and Short-Term Debt	<u>\$ 182.0</u>			

Pre - Transaction Capitalization and Cost of Capital				
	Amount	Percent of Capitalization	Estimated Cost (%)	Weighted Cost (%)
Common Equity	\$ 79.1	56%	9.67% ⁽³⁾	5.43%
Long-term Debt	61.7	44%	4.89% ⁽⁵⁾	2.14%
	<u>\$ 140.8</u>			<u>7.57%</u>
Short-Term Debt:				
Purchase Gas Financing	18.5			
Other Working Capital	13.4			
	<u>\$ 31.9</u>			
Total Capitalization and Short-Term Debt	<u>\$ 172.7</u>			

Notes:

⁽¹⁾ Assumes \$80 million debt financing and equity contribution from Unitil Corporation of an equal amount

⁽²⁾ Assumes Purchase Price of \$160 million and Working Capital Adjustment of \$37.3 million at 12/31/07

⁽³⁾ NHPUC Authorized Return on Equity

⁽⁴⁾ Calculation of Post-Acquisition Proforma Embedded Cost of Debt:

	Amount	Weight	Cost	Weighted Cost
6.53% Notes Due 2018	\$ 26.7	33%	6.53%	2.18%
7.28% Notes Due 2028	26.7	33%	7.28%	2.43%
7.47% Notes Due 2038	26.7	33%	7.47%	2.49%
Totals	<u>\$ 80.0</u>			<u>7.09%</u>

⁽⁵⁾ Calculation of Pre-Acquisition Embedded Cost of Debt:

	Amount	Weight	Cost	Weighted Cost
4.8% Note Due 6/2/20013	\$ 60.0	96%	4.80%	4.61%
6.93% Notes Due 9/1/10	2.5	4%	6.93%	0.28%
Totals	<u>\$ 62.5</u>			<u>4.89%</u>

Financing Timetable

Parties to the Transaction

UTL – Unitil Corporation CC – Company’s Counsel
RBC – Placement Agent IC – Investor’s Counsel
II - Institutional Investors

S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

September 2008							October 2008						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6			1	2	3	4	
7	8	9	10	11	12	13	5	6	7	8	9	10	11
14	15	16	17	18	19	20	12	13	14	15	16	17	18
21	22	23	24	25	26	27	19	20	21	22	23	24	25
28	29	30					26	27	28	29	30	31	

November 2008							December 2008						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1	1	2	3	4	5	6	
2	3	4	5	6	7	8	7	8	9	10	11	12	13
9	10	11	12	13	14	15	14	15	16	17	18	19	20
16	17	18	19	20	21	22	21	22	23	24	25	26	27
23	24	25	26	27	28	29	28	29	30	31			
30													

Market holiday

Time Period	Private Placement Execution Activity	Responsibility
Week of July 28	<ul style="list-style-type: none"> Organizational / Due Diligence meeting Prepare and submit detailed information request Appoint Investor’s Counsel Commence drafting Private Placement Memorandum (PPM) Commence drafting Investor Presentation Commence drafting preliminary Note Purchase Agreement (NPA) 	UTL, RBC UTL, RBC UTL, RBC, CC, IC UTL, RBC UTL, RBC UTL, RBC, IC, CC
Weeks of August 4 – August 11	<ul style="list-style-type: none"> Agent’s due diligence (ongoing) Continue Private Placement Memorandum Continue Investor Presentation Continue preliminary Note Purchase Agreement 	UTL, RBC UTL, RBC UTL, RBC UTL, RBC, IC, CC
Weeks of August 18 – August 25	<ul style="list-style-type: none"> Finalize Private Placement Memorandum Finalize Investor Presentation Finalize preliminary Note Purchase Agreement UTL Board of Directors meeting to approve financing 	UTL, RBC UTL, RBC UTL, RBC, IC, CC UTL
Week of September 1	<ul style="list-style-type: none"> Launch transaction, circulate PPM Establish response deadline, due diligence date Investor conference call 	RBC, II RBC, II UTL, II, RBC
Week of September 8	<ul style="list-style-type: none"> Receive bids Determine allocations, price transaction File circled terms and coupons filed with NHPUC and MPUC 	UTL, II, RBC RBC, II UTL
Week of September 15	<ul style="list-style-type: none"> Investor’s due diligence (on-site) Obtain formal investor commitments Circulate final Note Purchase Agreement 	UTL, II, RBC UTL, II, RBC CC, IC
Week of September 22	<ul style="list-style-type: none"> NHPUC and MPUC order received 	UTL
Week of October 27	<ul style="list-style-type: none"> NHPUC and MPUC order appeals expire Close transaction 	UTL UTL, RBC, IC, CC

Exhibits UNITIL-MHC-2 and 3

NORTHERN UTILITIES, INC.
CONSOLIDATED BALANCE SHEETS
Actual and Proforma 12/31/07
(Millions)

ASSETS

December 31,	<u>12/31/2007</u>	<u>Proforma Adjustments</u> (a)	<u>Proforma Adjustments</u> (b)	<u>Proforma 12/31/2007</u>
Utility Plant:				
Electric	\$ -	\$ -	\$ -	\$ -
Gas	220.5			220.5
Common				-
Construction Work in Progress	4.3			4.3
Utility Plant	224.8	-	-	224.8
Less: Accumulated Depreciation	56.0			56.0
Net Utility Plant	<u>168.8</u>	<u>-</u>	<u>-</u>	<u>168.8</u>
Current Assets:				
Cash	3.0	(140.7)	159.4	21.7
Accounts Receivable - Net of allowance for Doubtful Accounts	17.1			17.1
Accrued Revenue	16.4			16.4
Refundable Taxes				
Material and Supplies	2.8			2.8
Exchange Gas Receivable	13.4			13.4
Prepayments and Other	0.5			0.5
Total Current Assets	<u>53.2</u>	<u>(140.7)</u>	<u>159.4</u>	<u>71.9</u>
Noncurrent Assets:				
Regulatory Assets	19.9			19.9
Debt Issuance Costs	-		0.6	0.6
Other Noncurrent Assets	72.9	(72.4)		0.5
Total Noncurrent Assets	<u>92.8</u>	<u>(72.4)</u>	<u>0.6</u>	<u>21.0</u>
TOTAL	<u>\$ 314.8</u>	<u>\$ (213.1)</u>	<u>\$ 160.0</u>	<u>\$ 261.7</u>

Notes:

- (a) Proforma Adjustments to eliminate existing capitalization and purchase acquisition accounting
- (b) Proforma Adjustments to reflect long-term debt issuance and contribution of equal amount of equity from Unitil Corporation
- (c) Excludes other adjustments associated with acquisition accounting

NORTHERN UTILITIES, INC.
CONSOLIDATED BALANCE SHEETS
Actual and Proforma 12/31/07
(Millions)

CAPITALIZATION AND LIABILITIES

December 31,	<u>12/31/2007</u>	<u>Proforma Adjustments</u> (a)	<u>Proforma Adjustments</u> (b)	<u>Proforma 12/31/2007</u>
Capitalization:				
Common Stock Equity	\$ 121.6	\$ (121.6)	\$ 80.0	\$ 80.0
Preferred Stock, Non-Redeemable, Non-Cumulative				
Preferred Stock, Redeemable, Cumulative				
Long-Term Debt, Less Current Portion	<u>61.7</u>	<u>(61.7)</u>	<u>80.0</u>	<u>80.0</u>
Total Capitalization	<u>183.3</u>	<u>(183.3)</u>	<u>160.0</u>	<u>160.0</u>
Current Liabilities:				
Long-Term Debt, Current Portion	0.8			0.8
Capitalized Leases, Current Portion				
Short-Term Debt	31.1			31.1
Accounts Payable	10.3			10.3
Taxes Payable				
Interest and Dividends Payable				
Price Risk Liabilities	0.6			0.6
Other Current Liabilities	<u>6.2</u>			<u>6.2</u>
Total Current Liabilities	<u>49.0</u>	<u>-</u>	<u>-</u>	<u>49.0</u>
Deferred Income Taxes	58.5	(29.8)		28.7
Noncurrent Liabilities:				
Power Supply Contract Obligations				
Post Retirement Benefit Obligations	4.4			4.4
Environmental Obligations	1.8			1.8
Capitalized Leases, Less Current Portion				
Asset Retirement Obligation	1.2			1.2
Regulatory Liabilities and Cost of Removal	15.8			15.8
Other Noncurrent Liabilities	<u>0.8</u>			<u>0.8</u>
Total Noncurrent Liabilities	<u>24.0</u>	<u>-</u>	<u>-</u>	<u>24.0</u>
TOTAL	<u>\$ 314.8</u>	<u>\$ (213.1)</u>	<u>\$ 160.0</u>	<u>\$ 261.7</u>

Notes:

- (a) Proforma Adjustments to eliminate existing capitalization and purchase acquisition accounting
- (b) Proforma Adjustments to reflect long-term debt issuance and contribution of equal amount of equity from Unitil Corporation
- (c) Excludes other adjustments associated with acquisition accounting

NORTHERN UTILITIES, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
Actual and Proforma 12/31/07
(Millions)

Year Ended December 31,	<u>12/31/2007</u>	<u>Proforma Adjustments</u> (a)	<u>Proforma Adjustments</u> (b)	<u>Proforma 12/31/2007</u> (c)
Operating Revenues:				
Electric				
Gas	\$ 129.90	\$ -	\$ -	\$ 129.90
Other				
Total Operating Revenues	<u>129.9</u>	<u>-</u>	<u>-</u>	<u>129.9</u>
Operating Expenses:				
Purchased Electricity				
Purchased Gas	85.7			85.7
Operation and Maintenance	24.7			24.7
Conservation & Load Management				
Depreciation and Amortization	10.2	(2.3)		7.9
Provisions for Taxes:				
Local Property and Other	2.5			2.5
Federal and State Income	1.7	2.2	(2.3)	1.6
Total Operating Expenses	<u>124.8</u>	<u>(0.1)</u>	<u>(2.3)</u>	<u>122.4</u>
Operating Income	<u>5.1</u>	<u>0.1</u>	<u>2.3</u>	<u>7.5</u>
Non-Operating Expenses	<u>0.1</u>			<u>0.1</u>
Income Before Interest Expense	<u>5.0</u>	<u>0.1</u>	<u>2.3</u>	<u>7.4</u>
Interest Expense, net	<u>2.8</u>	<u>(3.1)</u>	<u>5.7</u>	<u>5.4</u>
Net Income	<u>2.2</u>	<u>3.2</u>	<u>(3.4)</u>	<u>2.0</u>
Less: Dividends on Preferred Stock				
Net Income Applicable to Common Shareholders	<u>\$ 2.2</u>	<u>\$ 3.2</u>	<u>\$ (3.4)</u>	<u>\$ 2.0</u>

Notes:

- (a) Proforma Adjustment to eliminate Northern Utilities current long-term debt interest expense and purchase acquisition amortization
- (b) Proforma Adjustment to reflect long-term interest expense for new issuance
- (c) Excludes other adjustments associated with acquisition accounting