

PENNICHUCK WATER
25 Manchester Street
P.O. Box 1947
MERRIMACK, NEW HAMPSHIRE 03054-1947

(603) 882-5191
FAX (603) 913-2362

TO New Hampshire Public Utilities Commission

21 S. Fruit Street, Suite 10

Concord, NH 03301-2429

LETTER OF TRANSMITTAL

DATE: 11/13/09

JOB NO.:

ATTENTION: Marcia Thunberg

RE: SRF Loan Documents

09-111
09-063

Sent via UPS 11/13/09

WE ARE SENDING YOU ☒ Attached ☐ Under separate cover via the following items:

- ☐ Shop drawings ☐ Prints ☐ Plans ☐ Samples ☐ Specifications
☐ Copy of Letter ☐ Change order ☒ Loan Documents

COPIES	DATE	NO.	DESCRIPTION
1	8/27/2009		Executed French Hill Loan Documents 09-063
1	8/27/2009		Executed Ashley Commons Loan Documents 09-063
1	8/27/2009		Executed Glen Ridge Loan Documents 09-063
1	8/27/2009		Executed South Nashua Booster Station Loan Documents 09-111

THESE ARE TRANSMITTED as checked below:

- ☐ For Approval ☐ Approved as submitted ☐ Resubmit ___ copies for approval
☒ For your use ☐ Approved as noted ☐ Submit ___ copies for distribution
☒ As requested ☐ Returned for corrections ☐ Return ___ corrected prints
☐ For review and comment ☐ _____
☐ FOR BID DUE _____ ☐ PRINTS RETURNED AFTER LOAN TO US

REMARKS:

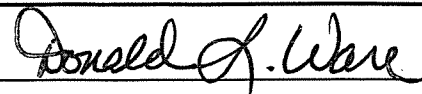
Marcia:

Executed ARRA loan documents for your records per the NISI order approving the loans.

Questions, please call. Thanks.

COPY TO Sarah Knowlton, McLane, w/enclosures

SIGNED:



Donald L. Ware, President

CLOSING DOCUMENTS

FOR

DRINKING WATER STATE REVOLVING
LOAN

BETWEEN

THE STATE OF NEW HAMPSHIRE

AND

PENNICHUCK WATER WORKS, INC.

FRENCH HILL MAIN REPLACEMENT
PROJECT

Project # 1621010-02 ARRA

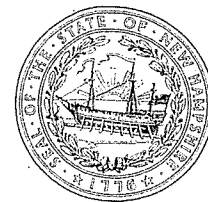
AUGUST 27, 2009

STATE OF NEW HAMPSHIRE
DRINKING WATER STATE REVOLVING LOAN
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009
TO
PENNICHUCK WATER WORKS INC.
(FRENCH HILL MAIN REPLACEMENT PROJECT)

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The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

August 27, 2009

Donald Ware
President
Pennichuck Water Works Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947

Subject: Drinking Water State Revolving Loan Agreement
Pennichuck Water Works DWSRF # 1621010-02 ARRA
French Hill Water Main Replacement

Dear Mr. Ware:

The purpose of this letter is to officially notify Pennichuck Water Works, Inc. of action taken by the Governor and Executive Council. On August 19, 2009, the Governor and Executive Council authorized the approval of a low interest loan agreement between the Department of Environmental Services and Pennichuck Water Works, Inc. in the amount of \$1,300,000 under the provisions of RSA 486:14 and N. H. Admin. Rules Env-Dw 1100 and all parties have signed the loan documents as of this date. Attached is a copy of the closing documents. Please note that this loan is subject to conditions as outlined in the American Recovery and Reinvestment Act of 2009 (See Exhibit D of the Loan Agreement).

Upon receiving approval from the Governor and Council, the applicant has six (6) months from this date to request disbursement of funds from the SRF account. Failure to request a disbursement shall cause the loan agreement to be declared null and void. Env-Dw 1106 describes the general procedures for requesting a loan disbursement. If the applicant has expedited funds prior to the date of this loan agreement, provided they are eligible expenses, you may submit a disbursement request immediately for those expenses. We have attached a Request For Disbursement form which must be submitted by the applicant with all supporting documentation. Specific instructions for completing this form are on the reverse side of the form.

We remind you that the applicant must submit plans and specifications on all significant elements of the project (Env-Dw 1108), and obtain design approval and authorization to advertise for bids on the project from the Department. Also, the applicant must receive authorization from the Department to award the construction contract by December 1, 2009.

Please feel free to contact myself at 271-2948 or Richard.skarinka@des.nh.gov or Bob Mann at 271-2953 if you have any questions regarding the status of your loan.

Sincerely:

A handwritten signature in cursive script, appearing to read "Richard Skarinka".

Richard Skarinka

Drinking Water and Groundwater Bureau

Cc: David Howe

McLane, Graf, Raulerson, & Middleton

NH Business Finance Authority

FORM REG-1
STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
DRINKING WATER STATE REVOLVING LOAN FUND
(with funding pursuant to the American Recovery and Reinvestment Act of 2009)

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated Aug 27, 2009, has two parties:

- (1) the State of New Hampshire (the "State"), whose address is c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, and
- (2) the following person which is borrowing funds from the State:

Pennichuck Water Works, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947
(the "Borrower")

FUNDAMENTAL PREMISES FOR THIS AGREEMENT

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the State. This loan will also receive funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

B. The Borrower is a corporation incorporated in the State of New Hampshire and subject to regulation by the Public Utilities Commission ("PUC"). The Borrower owns and operates a public water system that serves approximately 86,000 people in the greater Nashua area. The Borrower intends to borrow up to \$1,300,000 to finance the replacement and upgrade of existing distribution mains in the French Hill area of the City of Nashua ("Project").

C. The State has determined that the Borrower's request for a loan financing the cost of the Project and made in accordance with this Agreement is eligible for funding from the Drinking Water State Revolving Fund in accordance with guidelines adopted pursuant to RSA 486:14 and the American Recovery and Reinvestment Act of 2009. Under the American Recovery and Reinvestment Act of 2009 the Borrower is eligible for up to 50% principal forgiveness as provided in Section 12.1.

TERMS AND CONDITIONS OF THIS AGREEMENT

The State and the Borrower agree as follows:

1. Definitions. The following terms shall have the meanings indicated:

“ARRA Requirements” mean the requirements of the American Recovery and Reinvestment Act of 2009 and regulations and federal administrative pronouncements issued pursuant thereto and pertaining to the loan made pursuant to this Agreement and the design and construction of the Improvements, which requirements are summarized in Exhibit D attached hereto.

“Construction Contract” means the agreement between the Borrower and a contractor for construction of the Improvements.

“Contractor” means the contractor who enters into the Construction Contract.

“State” means the State of New Hampshire.

“DWSRF” means the State’s Drinking Water State Revolving Fund under RSA 486:14.

“Engineer” means the engineer who enters into the Engineering Contract.

“Engineering Contract” means the agreement between the Borrower and an engineer for engineering the design of the Improvements.

“Event of Default” has the meaning provided in Section 8.

“Guarantor” means Pennichuck Corporation.

“Guaranty” means the Guaranty of even date made by the Guarantor.

“Hazardous Materials” has the meaning provided in Section 10.1(a).

“Improvements” means the improvements to be constructed in accordance with the Plans.

“Legal Requirements” has the meaning provided in Section 10.1(b).

“Loan Proceeds” has the meaning provided in Section 2.

“Note” means the Borrower’s Promissory Note of even date in the principal amount of \$1,300,000 payable to the order of the State in the form attached hereto as Exhibit C.

“Plans” mean the plans, specifications, and drawings furnished and acceptable to the State.

“Total Budget” means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B attached hereto.

2. The State’s Agreement to Disburse Proceeds. Provided the terms, covenants and agreements hereof shall be observed and performed, the State agrees to make disbursements to the Borrower of, and the Borrower agrees to borrow from the State, an amount not to exceed the total principal amount of the Note (such disbursements made, from time to time hereafter, being hereinafter referred to as the “Loan Proceeds”).

3. Representations of the Borrower. The Borrower represents and warrants as follows:

(a) Recitals. The Recitals set forth at the beginning of this Agreement are true and correct;

(b) Plans. The Borrower will file the Plans with all governmental authorities having jurisdiction with respect to the Improvements;

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements and the Borrower has obtained all necessary governmental approvals to borrow funds in accordance with the Agreement which approvals are in full force and effect;

(d) No Violation. Construction of the Improvements will not violate any zoning, environmental, subdivision or land use ordinance, regulation or law;

(e) Utilities. All utility services necessary for the operation of the Improvements for their intended purpose are available at the boundary of the Premises, including, without limitation, water supply, storm and sanitary sewer facilities, electric, gas (if applicable), and telephone facilities, and all necessary governmental regulatory consents to the connecting of such facilities to the Improvements (when constructed) have been obtained, and all such utilities are of sufficient capacity to adequately meet all needs and requirements necessary for the operation of the Improvements for their intended purposes;

(f) Litigation. The Borrower is subject to litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Pennichuck Corporation or its subsidiaries. No other litigation or proceedings are pending or threatened against the Borrower or the Guarantor or affecting the Improvements that could affect the validity or priority of the Note or the Guaranty or that could affect the Borrower’s or the Guarantor’s ability to perform its obligations under this Agreement, the Note, and the Guaranty;

(g) Financial Statements. The balance sheets and financial statements of the Borrower and the Guarantor, which were submitted in connection with the Borrower’s request for the loan contemplated herein, were prepared in accordance with generally accepted principles of accounting applied on a basis consistent with that of preceding periods and are complete and correct and fairly

present the financial condition of the Borrower and the Guarantor, respectively, as of said dates. Neither the Borrower nor the Guarantor has any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as set forth in the foregoing financial statements specifically mentioned. Since the date of such financial statements, there has been no material adverse change in the financial condition of the Borrower or the Guarantor;

(h) Due Organization and Authority. Each of the Borrower and the Guarantor is a duly organized and validly existing New Hampshire corporation in good standing under the laws of the State of New Hampshire. Each of the Borrower and the Guarantor has the power and authority to own its properties and to carry on business as now being conducted and is qualified to do business in every jurisdiction where such qualification is necessary and has the power to execute and deliver, and perform its obligations under this Agreement, the Note and the Guaranty, as the case may be;

(i) No Conflict; No Required Approvals. The execution and delivery and performance by each of the Borrower and the Guarantor of their respective obligations under this Agreement, the Note and the Guaranty, as the case may be, have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which the Borrower or the Guarantor is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or, except as may be provided by this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or the Guarantor pursuant to, any such indenture, agreement or instrument. Neither the Borrower nor the Guarantor is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement, the Note, or the Guaranty, as the case may be, except for approval and authorization from the Public Utilities Commission, which approval and authorization has been obtained;

(j) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent. Neither the Borrower nor the Guarantor is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and neither the Borrower nor the Guarantor has knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statements referred to herein;

(k) No Material Misstatement. No statement of fact made by or on behalf of the Borrower, and no statement of fact made on behalf of the Guarantor, in this Agreement or in any certificate or schedule furnished to the State pursuant thereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower that has not been disclosed to the State that materially affects adversely, nor as far as the Borrower can foresee, will materially affect adversely the property, business, operations or conditions (financial or otherwise) of the Borrower or the Guarantor;

(l) Taxes. Each of the Borrower and the Guarantor has filed all federal, state and local tax returns required to be filed, except that they have filed for lawful extensions for filing returns for the most recent tax year, and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments;

(m) Enforceability. This Agreement and the Note, upon execution and delivery, will be the valid and binding obligations of the Borrower, and the Guaranty, upon execution and delivery, will be the valid and be the valid and binding obligations of the Guarantor, in each case enforceable in accordance with their respective terms, and will not violate any other agreements or instruments to which the Borrower or the Guarantor, as the case may be, is a party or by which the Borrower or the Guarantor, as the case may be, is bound;

(n) No Broker. The making of the loan contemplated hereunder or the State's acquisition of the Note or the Guaranty will not subject the State to any claim for a brokerage commission; and

(o) Total Budget. The Borrower covenants and represents that Exhibit B attached hereto contains a complete and full enumeration of all costs (including, without limitation, hard, soft and acquisition costs) that the Borrower anticipates will be incurred in connection with the construction, the development and equipping of the Improvements and in connection with the starting up of the operation of the Improvements.

(p) ARRA Conditions. To the knowledge of the Borrower the Plans, Construction Contract, and the Engineering Contract comply with the ARRA Requirements.

Each of the foregoing representations and warranties shall survive the making of the loan hereunder, and the Borrower shall indemnify and hold harmless the State from and against any loss, damage or liability attributable to the breach thereof, including all fees and expenses incurred in the defense or settlement of any claim arising therefrom against the State.

4. Conditions Precedent. The State's obligation to advance any of the Loan Proceeds shall be subject to the satisfaction of the following conditions precedent:

(a) Title. The Borrower shall demonstrate to the satisfaction of the State that it holds all property rights and privileges necessary and appropriate for the proper construction and operation of the Improvements;

(b) Loan Documents. The Borrower and the Guarantor shall have executed and delivered to the State the Note and the Guaranty, each of which shall be in form and substance satisfactory to the State;

(c) Construction Contract. The Borrower shall prepare public bid offers for the Construction Contract, which contract shall comply with the ARRA requirements, shall require the Contractor to comply with the ARRA Requirements applicable to the Contractor, its performance of its obligations under the Construction Contract and its subcontractors, shall require the Contractor's subcontracts to require its subcontractors to comply with the ARRA Requirements,

shall require the Contractor to provide the information concerning the Contractor and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements and shall have been reviewed and approved by the State. Such State approval shall not be construed as a waiver of any ARRA Requirements that apply to the Construction Contract, the Contractor or its subcontractors and subcontracts. The Borrower shall receive authorization to award contracts from the State and enter into the Construction Contract with the Contractor in accordance with the requirements of such bid. The Borrower shall enter into the Construction Contract on or before December 1, 2009. The State will not advance Loan Proceeds for "hard costs" of labor and materials of the Project for equipping and construction of the Improvements excluding land acquisition expenses, if applicable, prior to the execution and delivery of the Construction Contract, but the State may advance Loan Proceeds for "soft cost" in the Total Budget, such as engineering fees, closing expenses and publication expenses before execution and delivery of the Construction Contract;

(d) Engineering Contract. The Borrower shall prepare a request for proposals for the Engineering Contract, and the Borrower shall enter into the Engineering Contract in accordance with the requirements of such request for proposals. The Engineering Contract shall comply with the ARRA Requirements and shall require the Engineer to comply with the ARRA Requirements applicable to it, shall require the Engineer's subcontracts to require its subcontractors to comply with the ARRA Requirements, shall require the Engineer to provide the information concerning the Engineer and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements. Any approval or acquiescence of the State with respect to the Engineering Contract shall not be construed as a waiver of any ARRA Requirements that apply to the Engineering Contract, the Engineer or its subcontractors;

(e) Assurances. The State shall receive written assurances from Engineer and the Contractor that the State shall have the same rights as the Borrower to the continued use of the Plans, and all services related thereto for the construction of the Improvements;

(f) Opinion. The State shall receive the written opinion of counsel for the Borrower, which opinion shall be satisfactory to the State, covering such matters as shall reasonably be requested by the State;

(g) Plans. The Borrower shall deliver a complete copy of the Plans to the State which Plans shall be satisfactory to the State in all respects;

(h) UCC Search. The State shall have received a satisfactory report concerning liens and security interests affecting property of the Borrower and the Guarantor;

(i) Environmental Report. The State shall have received an environmental report with respect to the Premises, which report shall be satisfactory to the State;

(j) Additional Instruments. The State shall have received such additional instruments, certificates, opinions, surveys and other documents as the State may reasonably request; and

(k) No Event of Default. No Event of Default (as defined herein) nor any event which with the giving of notice or passage of time, or both, would constitute an Event of Default shall have occurred.

5. Covenants of the Borrower. Until payment in full of all sums required to be paid by the Borrower to the State under the Note and pursuant to the provisions of this Agreement the Borrower shall:

(a) Construction. Enter into the Construction Contract, which shall be binding upon the Borrower and the Contractor on or before December 1, 2009 and cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within twelve (12) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements, including, without limitation, the ARRA Requirements;

(b) Changes. Make no significant changes in or amendments to the Plans without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes in project work that are consistent with the objectives of the project and within the scope of this agreement do not require the approval of the State;

(c) Inspection. Permit the State and its representatives to enter upon the Premises and inspect the Improvements at all reasonable times and examine all detailed plans, drawings and specifications and any books and records relating to the Premises and the Improvements;

(d) Inadequate Loan Proceeds. If for any reason the amount of undistributed Loan Proceeds shall at any time be or become insufficient to pay for the completion of the Improvements, including: (i) all items set forth in the Total Budget, (ii) all incurred cost overruns and incurred costs for items not included in the Total Budget and (iii) all cost overruns and costs not included in the Total Budget that the State deems likely to be incurred (regardless of how such condition may be caused), then prior to any further disbursement of Loan Proceeds, either (A) expend from funds other than Loan Proceeds an amount equal to such deficiency for amounts shown on the Total Budget, or (B) provide the State with an unconditional and irrevocable letter of credit in an amount equal to such deficiency from a bank and in form and substance satisfactory to the State;

(e) Sign. Erect a sign in accordance with the State specifications on the Premises at such location as the State in its reasonable discretion may determine, indicating that the Improvements are being financed by the State and with ARRA funding;

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance on the Improvements and any material or equipment used or to be used to construct the Improvements or to be installed as or become part of the Improvements, and worker's compensation insurance with such companies, in such amounts and covering such risks as shall be satisfactory to the State and furnish such insurance policies to the State (premiums prepaid or, after

failure by the Borrower to prepay the premiums or to procure such insurance policies, the State may procure any such insurance policies that it deems satisfactory at the expense of the Borrower), insuring the interests of the Borrower and the State, as their respective interests may appear and, upon request, certificates evidencing such insurance coverage shall be promptly delivered to the State;

(g) Casualty. If the Improvements shall be damaged or destroyed by fire or any other casualty, proceed with the restoration thereof and diligently prosecute the work of restoration to completion, provided that the Loan Proceeds shall not be advanced to pay any part of the cost of such restoration;

(h) [Intentionally left blank]

(i) Expenses. Pay, as may be demanded by the State, (i) the State's extraordinary, reasonable expenses (including attorneys' fees) that the State incurs in the approval, making and administration of the loan hereunder and (ii) the State's reasonable expenses that incurs in enforcement of this Agreement, the Note, the Guaranty and related documentation;

(j) Cooperation. Cooperate fully with the State with respect to any proceedings before any court, board or governmental agency that may in any way affect the rights of the State hereunder or any rights obtained by the State and, in connection therewith, permit the State, at its election, to participate in any such proceedings;

(k) Preserve Licenses. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it and in particular, as soon as practical following execution of this Agreement by the State, provide evidence to the State that it has filed executed copies of this Agreement, the Note and the Guaranty with the New Hampshire Public Utilities Commission;

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

(m) Notice of Proceedings. Give prompt written notice to the State of any proceedings instituted against it by or in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, would have an adverse effect upon its business, operations, properties, assets, or condition, financial or otherwise;

(n) Financial Statements and Audit. If requested by the State, furnish to the State such information regarding operation, assets, business affairs and financial conditions, as the State may reasonably request and in particular shall furnish to the State (i) within ninety (90) days of the close of each fiscal year during the term of the loan, annual financial statements of each of the Borrower and the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Borrower and the Guarantor, respectively, as being correct in all material respects, accompanied by an audit report of the Guarantor's respective independent certified public accountants and otherwise in form and content reasonably acceptable to the State and (ii) within forty-five (45) days of the close of each fiscal quarter during the term of the loan, quarterly financial statements of each of the Borrower and the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Borrower and the Guarantor, respectively, as being correct in all material respects. If in any calendar year the Borrower expends more than \$500,000 in aggregate of the proceeds of the loan made pursuant to this Agreement together with proceeds of other loans and assistance provided with applicable funds from the United States federal government, whether for the Project or for other uses, the Borrower shall be subject to the requirements of the Single Audit Act of 1984, as amended, and regulations and other regulatory requirements promulgated thereunder, for that calendar year and the Borrower shall comply with those requirements at its expense;

(o) [Intentionally left blank]

(p) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and provide the State with written certification that the Borrower has complied with this paragraph;

(q) Two Party Check Requirements. If any contract between the Borrower or its agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such contract; and

(r) Negative Pledge. Not incur, create, or grant or permit to exist any security interest in or lien on its real or personal property, other than the security interest of Bank of America and liens for real property taxes or water or sewer charges similar assessments not yet due or contested in good faith, unless (i) prior written notice is provided by the Borrower to the State describing (x) the grant of security interest or lien, (y) the real or personal property in which a security interest or lien is intended to be granted and (z) any underlying transaction pursuant to which such grant is intended to be made and (ii) the Borrower receives from the State written consent permitting such grant of security interest in or lien on such real or personal property.

(s) ARRA Requirements. (i) Comply with the ARRA Requirements, cause the Construction Contract and the Engineering Contract to comply with the ARRA Requirements and to require the Contractor, the Engineer and their subcontractors to comply with the ARRA Requirements to the extent applicable to them and (ii) use reasonable efforts to cause the Engineer, the Contractor and their subcontractors to comply with the ARRA Requirements.

6. Loan Disbursements.

6.1 Written Applications. Upon compliance with, and subject to, the provisions of this Agreement, and provided there shall exist no Event of Default under this Agreement and no condition or event which with the giving of notice or lapse of time would constitute such an Event of Default, the State shall, upon written application by the Borrower (made not less than fourteen (14) business days prior to the date of the requested disbursement under this Section 6 and made not more often than once every month), make disbursements to the Borrower from the Loan Proceeds in the amounts hereinafter specified, but not in any event to exceed, when considered in the aggregate with amounts previously advanced by the State pursuant to this Agreement, the amount of the Loan Proceeds.

6.2 Amount of Disbursement. Each such disbursement for costs incurred by the Borrower shall be disbursed by the State from the Loan Proceeds. The amount of each disbursement shall represent the total costs incurred by the Borrower and approved by the State in conformance with the Total Budget as of the date of the disbursement request form, in excess of funds required to be provided and expended by the Borrower under the terms hereof as of the date of said disbursement request form, less any amounts previously advanced by the State from the Loan Proceeds.

6.3 Application Documents. Each application for disbursement of the Loan Proceeds, must be accompanied by the following unless waived by the State in writing:

- (a) Invoices from Engineer for services in accordance with Engineering Contract;
- (b) A completed disbursement request form signed by the authorized representative of the Borrower with the Contractor's payment estimate and invoices, in form approved by the State and with such backup information as the State may reasonably request;
- (c) A certificate of the inspecting engineer or construction supervisor as may be selected by or otherwise be satisfactory to the State, that all work performed at the site of construction as of the date of such disbursement request form has been performed in good and workmanlike manner, that all materials and fixtures usually furnished and installed at that time have been furnished and installed, all in accordance with the Plans, and that sufficient Loan Proceeds remain undisbursed to complete the Improvements in accordance with the Plans and the Total Budget;
- (d) [Intentionally left blank]
- (e) [Intentionally left blank]
- (f) [Intentionally left blank]
- (g) Any other documents that the State shall reasonably request the Borrower to provide to protect its interests, including without limitation, lien waivers of the Contractor or subcontractors.

6.4 Lien Releases or Waivers. In connection with any disbursement of Loan Proceeds, the State may require lien releases or affidavits from, or the submission of other appropriate forms by, the Borrower, the Contractor, subcontractors or materialmen as may be required by the State.

6.5 Quality of Work. No disbursement shall be made unless all work usually done at the stage of construction when the disbursement is requested is done in a good and workmanlike manner and without defects, and all materials and fixtures usually furnished and installed at that time are furnished and installed, but the State may disburse all or part of any installments before the same shall become due and payable if the State believes it advisable to do so, and all such disbursements or payments shall be deemed to have been made pursuant to this Agreement.

6.6 No Acceptance. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the State of the work theretofore done or of materials theretofore furnished.

6.7 Two Party Checks. Disbursements may be made, at the election of the State, by checks payable to the Borrower and the Contractor jointly and delivered, at the State's election, either to the Borrower or the Contractor or each subcontractor or vendor; provided, however, that disbursement shall be by check payable to the Borrower and the Contractor or any subcontractor for which the Borrower or its agent has supplied the State with a copy of a contract as provided in Section 5(q).

6.8 Limited Duty. The Borrower agrees that the State shall assume no duty with respect to disbursement of the Loan Proceeds except to disburse upon the conditions as set forth in this Agreement.

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this Agreement, and shall be charged against the Loan Proceeds.

7. Completion of Improvements. Upon completion in full of the Improvements, the Borrower shall promptly deliver to the State:

(a) Engineer's Certificate. A written certificate of the inspecting engineer or construction supervisor that the construction of the Improvements has been fully completed in a good and workmanlike manner in accordance with the Plans;

(b) [Intentionally left blank]

(c) Project Costs. A certificate by the Borrower, in form and substance satisfactory to the State, listing all categories of project costs and expenses in connection with the construction and completion of the Improvements and the amount paid by the Borrower with respect to each; and

(d) Permits. A copy of the applicable certificates, licenses, consents and approvals issued by governmental authorities with respect to the Improvements.

8. Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) [Intentionally left blank]

(b) Assignment. The Borrower attempts to assign its rights under this Agreement or any advance made or to be made hereunder or any interest therein, or if the Premises are conveyed or encumbered in any way except as permitted by this Agreement, in each case without the written consent of the State;

(c) Encroachment or Violation. Any survey, report or examination discloses that the Improvements or any portion thereof encroach upon or project over a street or upon or over adjoining property or violate any setback or other restriction, however created, or any zoning regulations or any building restriction of any governmental authority having jurisdiction with respect to the Improvements;

(d) Casualty. The Improvements or the Premises are materially damaged or destroyed by fire or other casualty or cause and the insurance proceeds therefrom are inadequate to rebuild or restore the Improvements or the Premises to their condition immediately prior to such casualty;

(e) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans;

(f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or misleading in any material respect;

(g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements in an amount in excess of \$200,000 and shall not be discharged within forty-five (45) days of such filing;

(h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement provided that in the case of failure to comply with sections 5(d), (e), (g) or (i) the same remains unremedied for a period of thirty (30) days after the date of notice thereof to the Borrower by the State not otherwise specifically referred to in this Section 8;

(i) Other Loan Documents. Any event of default as defined in the Note or the Guaranty, or any event which with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;

(j) Cessation of Work. Any substantial cessation occurs at any time in construction of the Improvements except for strikes, riots, or other causes beyond the Borrower's control, or if any substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;

(k) Voluntary Bankruptcy. The Borrower or the Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;

(l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower or the Guarantor by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower or the Guarantor of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(m) Dissolution, Etc. Except with respect to any change of control of the Borrower and/or any eminent domain taking of the Borrower's assets by the City of Nashua pursuant to the eminent domain litigation between the Borrower and the City of Nashua that is currently on appeal with the New Hampshire Supreme Court, and/or any comprehensive settlement of said eminent domain litigation resulting in any change of control, merger or consolidation of the Borrower or the Guarantor and/or any sale of assets or stock of the Borrower and/or the Guarantor out of the ordinary course of business, the death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or the Guarantor, or any other change of control of the Borrower or the Guarantor, or any other sale of assets of the Borrower or the Guarantor out of the ordinary course of business without the prior written consent of the State;

(n) Other Obligations to the State. Default by the Borrower or the Guarantor in the payment or performance of any other obligations of the Borrower or the Guarantor owed to the State, whether created prior to, concurrent with, or subsequent to the obligations arising out of this Agreement, the Note or the Guaranty, as the case may be, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower or the Guarantor in any other obligation for borrowed money in excess of One Hundred Thousand Dollars (\$100,000.00); and

(p) Judgment. Final judgment for the payment of money of more than Two Hundred Thousand Dollars (\$200,000.00) in excess of any insurance proceeds shall be rendered against the Borrower or the Guarantor and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed.

9. State's Rights and Remedies Upon Default.

9.1 General State Rights. Upon the occurrence of any Event of Default, all obligations on the part of the State to make disbursements under this Agreement shall, if the State so elects, cease, and, at the option of the State (but subject to the terms and conditions set forth in the Note and the Guaranty), the Note shall become immediately due and payable, and the State shall thereupon be authorized and empowered to exercise any rights of foreclosure; but the State may make any disbursements or portions of disbursements, after the occurrence of any such Event of Default, without thereby waiving its right to demand payment of the Borrower's indebtedness evidenced by the Note and guaranteed by the Guaranty and without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 [Intentionally left blank]

9.3 [Intentionally left blank]

9.4 Costs. The Borrower shall be liable to the State for all costs paid or incurred for the construction, completion and/or equipping of the Improvements, and all payments made or liabilities incurred by the State hereunder of any kind whatsoever shall be paid by the Borrower to the State on demand, with interest at the rate specified in the Note to the date of payment. The Borrower shall also reimburse the State for any expenses incurred in collection efforts and in enforcing its remedies, including, without limitation, reasonable attorney's fees.

9.5 Cumulative Rights. Upon the occurrence of any Event of Default, the rights, powers, privileges and other remedies available to the State under this Agreement or at law or in equity may be exercised by the State at any time and from time to time, whether or not the indebtedness evidenced by the Note and guaranteed by the Guaranty shall be due and payable, and whether or not the State shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Note.

9.6 Right of Set-Off. Any deposits or other sums at any time credited by or due from the State to the Borrower and any securities or other property of the Borrower at any time in possession of the State may at all times be held or treated as collateral security for the payment of the loan and all liabilities of the Borrower or the Guarantor to the State. Upon an Event of Default the State may apply or set-off such deposits or other sums or property against such liabilities.

9.7 Power of Attorney. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this Agreement, the Borrower hereby irrevocably constitutes and appoints the State its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts that are referred to herein in the name and behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and cannot be revoked.

10. Hazardous Materials Indemnification.

10.1 Definitions.

(a) The term "Hazardous Materials" shall mean and include asbestos, polychlorinated biphenyls ("PCB's"), other carcinogens, oil and other petroleum products, and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such under RSA Chapters 146-A, 146-C, 147-A and 147-B, CERCLA, or any other applicable federal, state or local laws, rules, codes or regulations or any judicial or administrative interpretation thereof; and

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules, codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

10.2 Indemnification. At all times, both before and after any conveyance or foreclosure of the Improvements, each of the Borrower and the Guarantor shall at its sole cost and expense indemnify, exonerate, protect and save the State harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgment, suits, proceedings, costs, disbursements or expenses of any kind or nature whatsoever, including without implied limitation, attorneys' and experts' fees and disbursements, which may at any time be imposed upon, incurred by or asserted or awarded against the State and arising from or out of:

(a) Any Hazardous Materials on, in, under or affecting all or any portion of the Improvements or any areas surrounding the same before the Borrower is divested of title to the Improvements by conveyance or foreclosure or divested of possession of the Improvements following an Event of Default;

(b) The violation by either the Borrower or the Guarantor of any Legal Requirements with respect to the Improvements; or

(c) The enforcement of this Section 10 of the Agreement or the assertion by either the Borrower or the Guarantor of any defense to the obligations of the Borrower or Guarantor under this Section 10, whether any of such matters arise before or after any taking of title to or possession of all or any portion of the Improvements by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses (a) or (b) above:

(i) costs of removal of any and all Hazardous Materials from all or any portion of the Improvements or any areas surrounding the same;

(ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials (x) on, in, under, or affecting, the Improvements or (y) into the air,

any body of water or wetland, any other public domain, or any areas surrounding the Improvements;

(iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Improvements/Premises arising from any failure to comply with Legal Requirements;

(iv) costs incurred to comply with all Legal Requirements relating to the Improvements or any collateral for the loan evidenced by the Note, including, without limitation, fines, penalties or other charges imposed by any lawful authority; and

(v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Improvements and any remedial action taken on account thereof including, without limitation, the costs, fees and expenses of engineers, geologists, chemists, other scientists, attorneys, surveyors and other professionals, and testing and analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

11. Assignments. The State may assign, negotiate or pledge all or any portion of its rights under this Agreement or any of its rights with respect to the Note and the Guaranty, and, in case of such assignment, the Borrower shall accord full recognition thereto. The Borrower hereby consents to the State's delivery of any and all financial or other information concerning the Borrower or the Guarantor to any assignee or participating lender. The Borrower shall not assign or attempt to assign, directly or indirectly, any of its rights under this Agreement or under any instrument referred to herein without the prior written consent of the State.

12. General Provisions.

12.1 Forgiveness of Principal. The Borrower is eligible for forgiveness of fifty percent (50%) of the amount of principal of the Note advanced pursuant to this Agreement pursuant to the State's ARRA Revolving Loan Program. In the absence of an Event of Default fifty percent of each installment of principal due under the Note shall be forgiven from the amount of principal that would otherwise become due in each monthly installment payment of principal and interest pursuant to the Note. Upon an Event of Default, the remaining amount of principal that has not been previously forgiven in accordance with this section and accrued interest shall be due and payable in accordance with Section 9.1.

12.2 Captions. The captions in this instrument are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

12.3 Number and Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12.4 Binding Effect. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs,

executors, administrators, successors and assigns of the Borrower, as the case may be, and the successors and assigns of the State.

12.5 Notices. Any notice, demand, request or other communication given hereunder or in connection herewith shall be in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive the same at its address set forth above or at such other address as such party may hereafter designate by notice given in like fashion. Any such notice, demand, request or other communication shall be deemed given when mailed as aforesaid.

12.6 Governing Law. This Agreement has been made in the State of New Hampshire, and the provisions thereof shall be governed by and construed in accordance with the law of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

12.7 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note, contains the full, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings, representations or agreements, whether written or oral, with respect to such subject matter.

12.8 Amendment and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and, in the case of an amendment, modification or termination, by the Borrower.

12.9 Consent to Jurisdiction. The Borrower hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any right of the State under the Note or this Agreement.

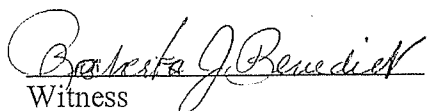
12.10 Joint and Several. If the Borrower consists of more than one person or entity, such persons and entities shall have joint and several liability hereunder.

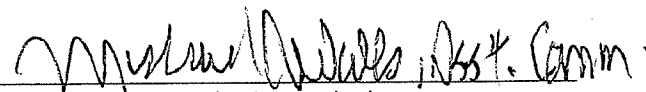
12.11 Severability. If any provision or condition of this Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Agreement.

[Signature page follows.]

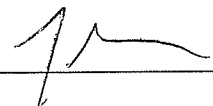
IN WITNESS WHEREOF, the State and the Borrower have each duly caused this Agreement to be executed, by their respective officers, thereunto duly authorized, as of the day and year indicated above.


THE STATE OF NEW HAMPSHIRE


Witness

By: 
f57 Thomas S. Burack, Commissioner
Department of Environmental Services

PENNICHUCK WATER WORKS, INC.

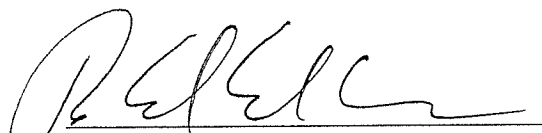

Witness

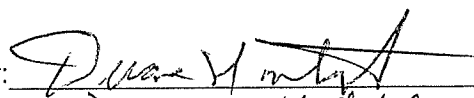
By: 
Donald Ware
President
Duly Authorized

JOINDER OF GUARANTOR

The undersigned, being the person named as the Guarantor in the foregoing Loan Agreement, hereby joins therein and agrees to be legally and equitably bound by all of the terms, covenants, warranties, representations, conditions and thereof, this 27 day of August, 2009.

PENNICHUCK CORPORATION


Witness

By: 
Name: Duane C. Montopoli
Title: President & CEO

LIST OF EXHIBITS

EXHIBIT A THE PREMISES (Inapplicable and therefore not attached hereto)

EXHIBIT B THE TOTAL BUDGET

EXHIBIT C THE NOTE

EXHIBIT D ARRA REQUIREMENTS

FORM REG-1
STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
DRINKING WATER STATE REVOLVING LOAN FUND
(with funding pursuant to the American Recovery and Reinvestment Act of 2009)

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated Aug 27, 2009, has two parties:

- (1) the State of New Hampshire (the "State"), whose address is c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, and
- (2) the following person which is borrowing funds from the State:

Pennichuck Water Works, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947
(the "Borrower")

FUNDAMENTAL PREMISES FOR THIS AGREEMENT

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the State. This loan will also receive funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

B. The Borrower is a corporation incorporated in the State of New Hampshire and subject to regulation by the Public Utilities Commission ("PUC"). The Borrower owns and operates a public water system that serves approximately 86,000 people in the greater Nashua area. The Borrower intends to borrow up to \$1,300,000 to finance the replacement and upgrade of existing distribution mains in the French Hill area of the City of Nashua ("Project").

C. The State has determined that the Borrower's request for a loan financing the cost of the Project and made in accordance with this Agreement is eligible for funding from the Drinking Water State Revolving Fund in accordance with guidelines adopted pursuant to RSA 486:14 and the American Recovery and Reinvestment Act of 2009. Under the American Recovery and Reinvestment Act of 2009 the Borrower is eligible for up to 50% principal forgiveness as provided in Section 12.1.

TERMS AND CONDITIONS OF THIS AGREEMENT

The State and the Borrower agree as follows:

1. Definitions. The following terms shall have the meanings indicated:

“ARRA Requirements” mean the requirements of the American Recovery and Reinvestment Act of 2009 and regulations and federal administrative pronouncements issued pursuant thereto and pertaining to the loan made pursuant to this Agreement and the design and construction of the Improvements, which requirements are summarized in Exhibit D attached hereto.

“Construction Contract” means the agreement between the Borrower and a contractor for construction of the Improvements.

“Contractor” means the contractor who enters into the Construction Contract.

“State” means the State of New Hampshire.

“DWSRF” means the State’s Drinking Water State Revolving Fund under RSA 486:14.

“Engineer” means the engineer who enters into the Engineering Contract.

“Engineering Contract” means the agreement between the Borrower and an engineer for engineering the design of the Improvements.

“Event of Default” has the meaning provided in Section 8.

“Guarantor” means Pennichuck Corporation.

“Guaranty” means the Guaranty of even date made by the Guarantor.

“Hazardous Materials” has the meaning provided in Section 10.1(a).

“Improvements” means the improvements to be constructed in accordance with the Plans.

“Legal Requirements” has the meaning provided in Section 10.1(b).

“Loan Proceeds” has the meaning provided in Section 2.

“Note” means the Borrower’s Promissory Note of even date in the principal amount of \$1,300,000 payable to the order of the State in the form attached hereto as Exhibit C.

“Plans” mean the plans, specifications, and drawings furnished and acceptable to the State.

“Total Budget” means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B attached hereto.

2. The State’s Agreement to Disburse Proceeds. Provided the terms, covenants and agreements hereof shall be observed and performed, the State agrees to make disbursements to the Borrower of, and the Borrower agrees to borrow from the State, an amount not to exceed the total principal amount of the Note (such disbursements made, from time to time hereafter, being hereinafter referred to as the “Loan Proceeds”).

3. Representations of the Borrower. The Borrower represents and warrants as follows:

(a) Recitals. The Recitals set forth at the beginning of this Agreement are true and correct;

(b) Plans. The Borrower will file the Plans with all governmental authorities having jurisdiction with respect to the Improvements;

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements and the Borrower has obtained all necessary governmental approvals to borrow funds in accordance with the Agreement which approvals are in full force and effect;

(d) No Violation. Construction of the Improvements will not violate any zoning, environmental, subdivision or land use ordinance, regulation or law;

(e) Utilities. All utility services necessary for the operation of the Improvements for their intended purpose are available at the boundary of the Premises, including, without limitation, water supply, storm and sanitary sewer facilities, electric, gas (if applicable), and telephone facilities, and all necessary governmental regulatory consents to the connecting of such facilities to the Improvements (when constructed) have been obtained, and all such utilities are of sufficient capacity to adequately meet all needs and requirements necessary for the operation of the Improvements for their intended purposes;

(f) Litigation. The Borrower is subject to litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Pennichuck Corporation or its subsidiaries. No other litigation or proceedings are pending or threatened against the Borrower or the Guarantor or affecting the Improvements that could affect the validity or priority of the Note or the Guaranty or that could affect the Borrower’s or the Guarantor’s ability to perform its obligations under this Agreement, the Note, and the Guaranty;

(g) Financial Statements. The balance sheets and financial statements of the Borrower and the Guarantor, which were submitted in connection with the Borrower’s request for the loan contemplated herein, were prepared in accordance with generally accepted principles of accounting applied on a basis consistent with that of preceding periods and are complete and correct and fairly

present the financial condition of the Borrower and the Guarantor, respectively, as of said dates. Neither the Borrower nor the Guarantor has any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as set forth in the foregoing financial statements specifically mentioned. Since the date of such financial statements, there has been no material adverse change in the financial condition of the Borrower or the Guarantor;

(h) Due Organization and Authority. Each of the Borrower and the Guarantor is a duly organized and validly existing New Hampshire corporation in good standing under the laws of the State of New Hampshire. Each of the Borrower and the Guarantor has the power and authority to own its properties and to carry on business as now being conducted and is qualified to do business in every jurisdiction where such qualification is necessary and has the power to execute and deliver, and perform its obligations under this Agreement, the Note and the Guaranty, as the case may be;

(i) No Conflict; No Required Approvals. The execution and delivery and performance by each of the Borrower and the Guarantor of their respective obligations under this Agreement, the Note and the Guaranty, as the case may be, have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which the Borrower or the Guarantor is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or, except as may be provided by this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or the Guarantor pursuant to, any such indenture, agreement or instrument. Neither the Borrower nor the Guarantor is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement, the Note, or the Guaranty, as the case may be, except for approval and authorization from the Public Utilities Commission, which approval and authorization has been obtained;

(j) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent. Neither the Borrower nor the Guarantor is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and neither the Borrower nor the Guarantor has knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statements referred to herein;

(k) No Material Misstatement. No statement of fact made by or on behalf of the Borrower, and no statement of fact made on behalf of the Guarantor, in this Agreement or in any certificate or schedule furnished to the State pursuant thereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower that has not been disclosed to the State that materially affects adversely, nor as far as the Borrower can foresee, will materially affect adversely the property, business, operations or conditions (financial or otherwise) of the Borrower or the Guarantor;

(l) Taxes. Each of the Borrower and the Guarantor has filed all federal, state and local tax returns required to be filed, except that they have filed for lawful extensions for filing returns for the most recent tax year, and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments;

(m) Enforceability. This Agreement and the Note, upon execution and delivery, will be the valid and binding obligations of the Borrower, and the Guaranty, upon execution and delivery, will be the valid and binding obligations of the Guarantor, in each case enforceable in accordance with their respective terms, and will not violate any other agreements or instruments to which the Borrower or the Guarantor, as the case may be, is a party or by which the Borrower or the Guarantor, as the case may be, is bound;

(n) No Broker. The making of the loan contemplated hereunder or the State's acquisition of the Note or the Guaranty will not subject the State to any claim for a brokerage commission; and

(o) Total Budget. The Borrower covenants and represents that Exhibit B attached hereto contains a complete and full enumeration of all costs (including, without limitation, hard, soft and acquisition costs) that the Borrower anticipates will be incurred in connection with the construction, the development and equipping of the Improvements and in connection with the starting up of the operation of the Improvements.

(p) ARRA Conditions. To the knowledge of the Borrower the Plans, Construction Contract, and the Engineering Contract comply with the ARRA Requirements.

Each of the foregoing representations and warranties shall survive the making of the loan hereunder, and the Borrower shall indemnify and hold harmless the State from and against any loss, damage or liability attributable to the breach thereof, including all fees and expenses incurred in the defense or settlement of any claim arising therefrom against the State.

4. Conditions Precedent. The State's obligation to advance any of the Loan Proceeds shall be subject to the satisfaction of the following conditions precedent:

(a) Title. The Borrower shall demonstrate to the satisfaction of the State that it holds all property rights and privileges necessary and appropriate for the proper construction and operation of the Improvements;

(b) Loan Documents. The Borrower and the Guarantor shall have executed and delivered to the State the Note and the Guaranty, each of which shall be in form and substance satisfactory to the State;

(c) Construction Contract. The Borrower shall prepare public bid offers for the Construction Contract, which contract shall comply with the ARRA requirements, shall require the Contractor to comply with the ARRA Requirements applicable to the Contractor, its performance of its obligations under the Construction Contract and its subcontractors, shall require the Contractor's subcontracts to require its subcontractors to comply with the ARRA Requirements,

shall require the Contractor to provide the information concerning the Contractor and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements and shall have been reviewed and approved by the State. Such State approval shall not be construed as a waiver of any ARRA Requirements that apply to the Construction Contract, the Contractor or its subcontractors and subcontracts. The Borrower shall receive authorization to award contracts from the State and enter into the Construction Contract with the Contractor in accordance with the requirements of such bid. The Borrower shall enter into the Construction Contract on or before December 1, 2009. The State will not advance Loan Proceeds for "hard costs" of labor and materials of the Project for equipping and construction of the Improvements excluding land acquisition expenses, if applicable, prior to the execution and delivery of the Construction Contract, but the State may advance Loan Proceeds for "soft cost" in the Total Budget, such as engineering fees, closing expenses and publication expenses before execution and delivery of the Construction Contract;

(d) Engineering Contract. The Borrower shall prepare a request for proposals for the Engineering Contract, and the Borrower shall enter into the Engineering Contract in accordance with the requirements of such request for proposals. The Engineering Contract shall comply with the ARRA Requirements and shall require the Engineer to comply with the ARRA Requirements applicable to it, shall require the Engineer's subcontracts to require its subcontractors to comply with the ARRA Requirements, shall require the Engineer to provide the information concerning the Engineer and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements. Any approval or acquiescence of the State with respect to the Engineering Contract shall not be construed as a waiver of any ARRA Requirements that apply to the Engineering Contract, the Engineer or its subcontractors;

(e) Assurances. The State shall receive written assurances from Engineer and the Contractor that the State shall have the same rights as the Borrower to the continued use of the Plans, and all services related thereto for the construction of the Improvements;

(f) Opinion. The State shall receive the written opinion of counsel for the Borrower, which opinion shall be satisfactory to the State, covering such matters as shall reasonably be requested by the State;

(g) Plans. The Borrower shall deliver a complete copy of the Plans to the State which Plans shall be satisfactory to the State in all respects;

(h) UCC Search. The State shall have received a satisfactory report concerning liens and security interests affecting property of the Borrower and the Guarantor;

(i) Environmental Report. The State shall have received an environmental report with respect to the Premises, which report shall be satisfactory to the State;

(j) Additional Instruments. The State shall have received such additional instruments, certificates, opinions, surveys and other documents as the State may reasonably request; and

(k) No Event of Default. No Event of Default (as defined herein) nor any event which with the giving of notice or passage of time, or both, would constitute an Event of Default shall have occurred.

5. Covenants of the Borrower. Until payment in full of all sums required to be paid by the Borrower to the State under the Note and pursuant to the provisions of this Agreement the Borrower shall:

(a) Construction. Enter into the Construction Contract, which shall be binding upon the Borrower and the Contractor on or before December 1, 2009 and cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within twelve (12) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements, including, without limitation, the ARRA Requirements;

(b) Changes. Make no significant changes in or amendments to the Plans without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes in project work that are consistent with the objectives of the project and within the scope of this agreement do not require the approval of the State;

(c) Inspection. Permit the State and its representatives to enter upon the Premises and inspect the Improvements at all reasonable times and examine all detailed plans, drawings and specifications and any books and records relating to the Premises and the Improvements;

(d) Inadequate Loan Proceeds. If for any reason the amount of undistributed Loan Proceeds shall at any time be or become insufficient to pay for the completion of the Improvements, including: (i) all items set forth in the Total Budget, (ii) all incurred cost overruns and incurred costs for items not included in the Total Budget and (iii) all cost overruns and costs not included in the Total Budget that the State deems likely to be incurred (regardless of how such condition may be caused), then prior to any further disbursement of Loan Proceeds, either (A) expend from funds other than Loan Proceeds an amount equal to such deficiency for amounts shown on the Total Budget, or (B) provide the State with an unconditional and irrevocable letter of credit in an amount equal to such deficiency from a bank and in form and substance satisfactory to the State;

(e) Sign. Erect a sign in accordance with the State specifications on the Premises at such location as the State in its reasonable discretion may determine, indicating that the Improvements are being financed by the State and with ARRA funding;

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance on the Improvements and any material or equipment used or to be used to construct the Improvements or to be installed as or become part of the Improvements, and worker's compensation insurance with such companies, in such amounts and covering such risks as shall be satisfactory to the State and furnish such insurance policies to the State (premiums prepaid or, after

failure by the Borrower to prepay the premiums or to procure such insurance policies, the State may procure any such insurance policies that it deems satisfactory at the expense of the Borrower), insuring the interests of the Borrower and the State, as their respective interests may appear and, upon request, certificates evidencing such insurance coverage shall be promptly delivered to the State;

(g) Casualty. If the Improvements shall be damaged or destroyed by fire or any other casualty, proceed with the restoration thereof and diligently prosecute the work of restoration to completion, provided that the Loan Proceeds shall not be advanced to pay any part of the cost of such restoration;

(h) [Intentionally left blank]

(i) Expenses. Pay, as may be demanded by the State, (i) the State's extraordinary, reasonable expenses (including attorneys' fees) that the State incurs in the approval, making and administration of the loan hereunder and (ii) the State's reasonable expenses that incurs in enforcement of this Agreement, the Note, the Guaranty and related documentation;

(j) Cooperation. Cooperate fully with the State with respect to any proceedings before any court, board or governmental agency that may in any way affect the rights of the State hereunder or any rights obtained by the State and, in connection therewith, permit the State, at its election, to participate in any such proceedings;

(k) Preserve Licenses. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it and in particular, as soon as practical following execution of this Agreement by the State, provide evidence to the State that it has filed executed copies of this Agreement, the Note and the Guaranty with the New Hampshire Public Utilities Commission;

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

(m) Notice of Proceedings. Give prompt written notice to the State of any proceedings instituted against it by or in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, would have an adverse effect upon its business, operations, properties, assets, or condition, financial or otherwise;

(n) Financial Statements and Audit. If requested by the State, furnish to the State such information regarding operation, assets, business affairs and financial conditions, as the State may reasonably request and in particular shall furnish to the State (i) within ninety (90) days of the close of each fiscal year during the term of the loan, annual financial statements of each of the Borrower and the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Borrower and the Guarantor, respectively, as being correct in all material respects, accompanied by an audit report of the Guarantor's respective independent certified public accountants and otherwise in form and content reasonably acceptable to the State and (ii) within forty-five (45) days of the close of each fiscal quarter during the term of the loan, quarterly financial statements of each of the Borrower and the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Borrower and the Guarantor, respectively, as being correct in all material respects. If in any calendar year the Borrower expends more than \$500,000 in aggregate of the proceeds of the loan made pursuant to this Agreement together with proceeds of other loans and assistance provided with applicable funds from the United States federal government, whether for the Project or for other uses, the Borrower shall be subject to the requirements of the Single Audit Act of 1984, as amended, and regulations and other regulatory requirements promulgated thereunder, for that calendar year and the Borrower shall comply with those requirements at its expense;

(o) [Intentionally left blank]

(p) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and provide the State with written certification that the Borrower has complied with this paragraph;

(q) Two Party Check Requirements. If any contract between the Borrower or its agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such contract; and

(r) Negative Pledge. Not incur, create, or grant or permit to exist any security interest in or lien on its real or personal property, other than the security interest of Bank of America and liens for real property taxes or water or sewer charges similar assessments not yet due or contested in good faith, unless (i) prior written notice is provided by the Borrower to the State describing (x) the grant of security interest or lien, (y) the real or personal property in which a security interest or lien is intended to be granted and (z) any underlying transaction pursuant to which such grant is intended to be made and (ii) the Borrower receives from the State written consent permitting such grant of security interest in or lien on such real or personal property.

(s) ARRA Requirements. (i) Comply with the ARRA Requirements, cause the Construction Contract and the Engineering Contract to comply with the ARRA Requirements and to require the Contractor, the Engineer and their subcontractors to comply with the ARRA Requirements to the extent applicable to them and (ii) use reasonable efforts to cause the Engineer, the Contractor and their subcontractors to comply with the ARRA Requirements.

6. Loan Disbursements.

6.1 Written Applications. Upon compliance with, and subject to, the provisions of this Agreement, and provided there shall exist no Event of Default under this Agreement and no condition or event which with the giving of notice or lapse of time would constitute such an Event of Default, the State shall, upon written application by the Borrower (made not less than fourteen (14) business days prior to the date of the requested disbursement under this Section 6 and made not more often than once every month), make disbursements to the Borrower from the Loan Proceeds in the amounts hereinafter specified, but not in any event to exceed, when considered in the aggregate with amounts previously advanced by the State pursuant to this Agreement, the amount of the Loan Proceeds.

6.2 Amount of Disbursement. Each such disbursement for costs incurred by the Borrower shall be disbursed by the State from the Loan Proceeds. The amount of each disbursement shall represent the total costs incurred by the Borrower and approved by the State in conformance with the Total Budget as of the date of the disbursement request form, in excess of funds required to be provided and expended by the Borrower under the terms hereof as of the date of said disbursement request form, less any amounts previously advanced by the State from the Loan Proceeds.

6.3 Application Documents. Each application for disbursement of the Loan Proceeds, must be accompanied by the following unless waived by the State in writing:

- (a) Invoices from Engineer for services in accordance with Engineering Contract;
- (b) A completed disbursement request form signed by the authorized representative of the Borrower with the Contractor's payment estimate and invoices, in form approved by the State and with such backup information as the State may reasonably request;
- (c) A certificate of the inspecting engineer or construction supervisor as may be selected by or otherwise be satisfactory to the State, that all work performed at the site of construction as of the date of such disbursement request form has been performed in good and workmanlike manner, that all materials and fixtures usually furnished and installed at that time have been furnished and installed, all in accordance with the Plans, and that sufficient Loan Proceeds remain undisbursed to complete the Improvements in accordance with the Plans and the Total Budget;
- (d) [Intentionally left blank]
- (e) [Intentionally left blank]
- (f) [Intentionally left blank]
- (g) Any other documents that the State shall reasonably request the Borrower to provide to protect its interests, including without limitation, lien waivers of the Contractor or subcontractors.

6.4 Lien Releases or Waivers. In connection with any disbursement of Loan Proceeds, the State may require lien releases or affidavits from, or the submission of other appropriate forms by, the Borrower, the Contractor, subcontractors or materialmen as may be required by the State.

6.5 Quality of Work. No disbursement shall be made unless all work usually done at the stage of construction when the disbursement is requested is done in a good and workmanlike manner and without defects, and all materials and fixtures usually furnished and installed at that time are furnished and installed, but the State may disburse all or part of any installments before the same shall become due and payable if the State believes it advisable to do so, and all such disbursements or payments shall be deemed to have been made pursuant to this Agreement.

6.6 No Acceptance. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the State of the work theretofore done or of materials theretofore furnished.

6.7 Two Party Checks. Disbursements may be made, at the election of the State, by checks payable to the Borrower and the Contractor jointly and delivered, at the State's election, either to the Borrower or the Contractor or each subcontractor or vendor; provided, however, that disbursement shall be by check payable to the Borrower and the Contractor or any subcontractor for which the Borrower or its agent has supplied the State with a copy of a contract as provided in Section 5(q).

6.8 Limited Duty. The Borrower agrees that the State shall assume no duty with respect to disbursement of the Loan Proceeds except to disburse upon the conditions as set forth in this Agreement.

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this Agreement, and shall be charged against the Loan Proceeds.

7. Completion of Improvements. Upon completion in full of the Improvements, the Borrower shall promptly deliver to the State:

(a) Engineer's Certificate. A written certificate of the inspecting engineer or construction supervisor that the construction of the Improvements has been fully completed in a good and workmanlike manner in accordance with the Plans;

(b) [Intentionally left blank]

(c) Project Costs. A certificate by the Borrower, in form and substance satisfactory to the State, listing all categories of project costs and expenses in connection with the construction and completion of the Improvements and the amount paid by the Borrower with respect to each; and

(d) Permits. A copy of the applicable certificates, licenses, consents and approvals issued by governmental authorities with respect to the Improvements.

8. Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) [Intentionally left blank]

(b) Assignment. The Borrower attempts to assign its rights under this Agreement or any advance made or to be made hereunder or any interest therein, or if the Premises are conveyed or encumbered in any way except as permitted by this Agreement, in each case without the written consent of the State;

(c) Encroachment or Violation. Any survey, report or examination discloses that the Improvements or any portion thereof encroach upon or project over a street or upon or over adjoining property or violate any setback or other restriction, however created, or any zoning regulations or any building restriction of any governmental authority having jurisdiction with respect to the Improvements;

(d) Casualty. The Improvements or the Premises are materially damaged or destroyed by fire or other casualty or cause and the insurance proceeds therefrom are inadequate to rebuild or restore the Improvements or the Premises to their condition immediately prior to such casualty;

(e) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans;

(f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or misleading in any material respect;

(g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements in an amount in excess of \$200,000 and shall not be discharged within forty-five (45) days of such filing;

(h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement provided that in the case of failure to comply with sections 5(d), (e), (g) or (i) the same remains unremedied for a period of thirty (30) days after the date of notice thereof to the Borrower by the State not otherwise specifically referred to in this Section 8;

(i) Other Loan Documents. Any event of default as defined in the Note or the Guaranty, or any event which with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;

(j) Cessation of Work. Any substantial cessation occurs at any time in construction of the Improvements except for strikes, riots, or other causes beyond the Borrower's control, or if any substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;

(k) Voluntary Bankruptcy. The Borrower or the Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;

(l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower or the Guarantor by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower or the Guarantor of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(m) Dissolution, Etc. Except with respect to any change of control of the Borrower and/or any eminent domain taking of the Borrower's assets by the City of Nashua pursuant to the eminent domain litigation between the Borrower and the City of Nashua that is currently on appeal with the New Hampshire Supreme Court, and/or any comprehensive settlement of said eminent domain litigation resulting in any change of control, merger or consolidation of the Borrower or the Guarantor and/or any sale of assets or stock of the Borrower and/or the Guarantor out of the ordinary course of business, the death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or the Guarantor, or any other change of control of the Borrower or the Guarantor, or any other sale of assets of the Borrower or the Guarantor out of the ordinary course of business without the prior written consent of the State;

(n) Other Obligations to the State. Default by the Borrower or the Guarantor in the payment or performance of any other obligations of the Borrower or the Guarantor owed to the State, whether created prior to, concurrent with, or subsequent to the obligations arising out of this Agreement, the Note or the Guaranty, as the case may be, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower or the Guarantor in any other obligation for borrowed money in excess of One Hundred Thousand Dollars (\$100,000.00); and

(p) Judgment. Final judgment for the payment of money of more than Two Hundred Thousand Dollars (\$200,000.00) in excess of any insurance proceeds shall be rendered against the Borrower or the Guarantor and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed.

9. State's Rights and Remedies Upon Default.

9.1 General State Rights. Upon the occurrence of any Event of Default, all obligations on the part of the State to make disbursements under this Agreement shall, if the State so elects, cease, and, at the option of the State (but subject to the terms and conditions set forth in the Note and the Guaranty), the Note shall become immediately due and payable, and the State shall thereupon be authorized and empowered to exercise any rights of foreclosure; but the State may make any disbursements or portions of disbursements, after the occurrence of any such Event of Default, without thereby waiving its right to demand payment of the Borrower's indebtedness evidenced by the Note and guaranteed by the Guaranty and without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 [Intentionally left blank]

9.3 [Intentionally left blank]

9.4 Costs. The Borrower shall be liable to the State for all costs paid or incurred for the construction, completion and/or equipping of the Improvements, and all payments made or liabilities incurred by the State hereunder of any kind whatsoever shall be paid by the Borrower to the State on demand, with interest at the rate specified in the Note to the date of payment. The Borrower shall also reimburse the State for any expenses incurred in collection efforts and in enforcing its remedies, including, without limitation, reasonable attorney's fees.

9.5 Cumulative Rights. Upon the occurrence of any Event of Default, the rights, powers, privileges and other remedies available to the State under this Agreement or at law or in equity may be exercised by the State at any time and from time to time, whether or not the indebtedness evidenced by the Note and guaranteed by the Guaranty shall be due and payable, and whether or not the State shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Note.

9.6 Right of Set-Off. Any deposits or other sums at any time credited by or due from the State to the Borrower and any securities or other property of the Borrower at any time in possession of the State may at all times be held or treated as collateral security for the payment of the loan and all liabilities of the Borrower or the Guarantor to the State. Upon an Event of Default the State may apply or set-off such deposits or other sums or property against such liabilities.

9.7 Power of Attorney. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this Agreement, the Borrower hereby irrevocably constitutes and appoints the State its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts that are referred to herein in the name and behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and cannot be revoked.

10. Hazardous Materials Indemnification.

10.1 Definitions.

(a) The term "Hazardous Materials" shall mean and include asbestos, polychlorinated biphenyls ("PCB's"), other carcinogens, oil and other petroleum products, and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such under RSA Chapters 146-A, 146-C, 147-A and 147-B, CERCLA, or any other applicable federal, state or local laws, rules, codes or regulations or any judicial or administrative interpretation thereof; and

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules, codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

10.2 Indemnification. At all times, both before and after any conveyance or foreclosure of the Improvements, each of the Borrower and the Guarantor shall at its sole cost and expense indemnify, exonerate, protect and save the State harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgment, suits, proceedings, costs, disbursements or expenses of any kind or nature whatsoever, including without implied limitation, attorneys' and experts' fees and disbursements, which may at any time be imposed upon, incurred by or asserted or awarded against the State and arising from or out of:

(a) Any Hazardous Materials on, in, under or affecting all or any portion of the Improvements or any areas surrounding the same before the Borrower is divested of title to the Improvements by conveyance or foreclosure or divested of possession of the Improvements following an Event of Default;

(b) The violation by either the Borrower or the Guarantor of any Legal Requirements with respect to the Improvements; or

(c) The enforcement of this Section 10 of the Agreement or the assertion by either the Borrower or the Guarantor of any defense to the obligations of the Borrower or Guarantor under this Section 10, whether any of such matters arise before or after any taking of title to or possession of all or any portion of the Improvements by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses (a) or (b) above:

(i) costs of removal of any and all Hazardous Materials from all or any portion of the Improvements or any areas surrounding the same;

(ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials (x) on, in, under, or affecting, the Improvements or (y) into the air,

any body of water or wetland, any other public domain, or any areas surrounding the Improvements;

(iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Improvements/Premises arising from any failure to comply with Legal Requirements;

(iv) costs incurred to comply with all Legal Requirements relating to the Improvements or any collateral for the loan evidenced by the Note, including, without limitation, fines, penalties or other charges imposed by any lawful authority; and

(v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Improvements and any remedial action taken on account thereof including, without limitation, the costs, fees and expenses of engineers, geologists, chemists, other scientists, attorneys, surveyors and other professionals, and testing and analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

11. Assignments. The State may assign, negotiate or pledge all or any portion of its rights under this Agreement or any of its rights with respect to the Note and the Guaranty, and, in case of such assignment, the Borrower shall accord full recognition thereto. The Borrower hereby consents to the State's delivery of any and all financial or other information concerning the Borrower or the Guarantor to any assignee or participating lender. The Borrower shall not assign or attempt to assign, directly or indirectly, any of its rights under this Agreement or under any instrument referred to herein without the prior written consent of the State.

12. General Provisions.

12.1 Forgiveness of Principal. The Borrower is eligible for forgiveness of fifty percent (50%) of the amount of principal of the Note advanced pursuant to this Agreement pursuant to the State's ARRA Revolving Loan Program. In the absence of an Event of Default fifty percent of each installment of principal due under the Note shall be forgiven from the amount of principal that would otherwise become due in each monthly installment payment of principal and interest pursuant to the Note. Upon an Event of Default, the remaining amount of principal that has not been previously forgiven in accordance with this section and accrued interest shall be due and payable in accordance with Section 9.1.

12.2 Captions. The captions in this instrument are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

12.3 Number and Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12.4 Binding Effect. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs,

executors, administrators, successors and assigns of the Borrower, as the case may be, and the successors and assigns of the State.

12.5 Notices. Any notice, demand, request or other communication given hereunder or in connection herewith shall be in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive the same at its address set forth above or at such other address as such party may hereafter designate by notice given in like fashion. Any such notice, demand, request or other communication shall be deemed given when mailed as aforesaid.

12.6 Governing Law. This Agreement has been made in the State of New Hampshire, and the provisions thereof shall be governed by and construed in accordance with the law of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

12.7 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note, contains the full, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings, representations or agreements, whether written or oral, with respect to such subject matter.

12.8 Amendment and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and, in the case of an amendment, modification or termination, by the Borrower.

12.9 Consent to Jurisdiction. The Borrower hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any right of the State under the Note or this Agreement.

12.10 Joint and Several. If the Borrower consists of more than one person or entity, such persons and entities shall have joint and several liability hereunder.

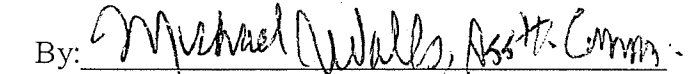
12.11 Severability. If any provision or condition of this Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Agreement.

[Signature page follows.]

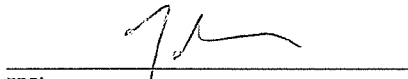
IN WITNESS WHEREOF, the State and the Borrower have each duly caused this Agreement to be executed, by their respective officers, thereunto duly authorized, as of the day and year indicated above.


THE STATE OF NEW HAMPSHIRE


Witness

By: 
for Thomas S. Burack, Commissioner
Department of Environmental Services

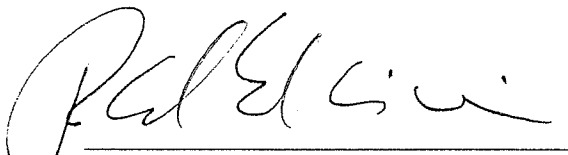
PENNICHUCK WATER WORKS, INC.


Witness

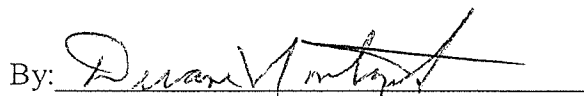
By: 
Donald Ware
President
Duly Authorized

JOINDER OF GUARANTOR

The undersigned, being the person named as the Guarantor in the foregoing Loan Agreement, hereby joins therein and agrees to be legally and equitably bound by all of the terms, covenants, warranties, representations, conditions and thereof, this 27 day of AUGUST, 2009.


Witness

PENNICHUCK CORPORATION

By: 
Name: Duane C. Montopoli
Title: President & CEO

LIST OF EXHIBITS

EXHIBIT A THE PREMISES (Inapplicable and therefore not attached hereto)

EXHIBIT B THE TOTAL BUDGET

EXHIBIT C THE NOTE

EXHIBIT D ARRA REQUIREMENTS

FORM REG-1
STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
DRINKING WATER STATE REVOLVING LOAN FUND
(with funding pursuant to the American Recovery and Reinvestment Act of 2009)

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated Aug 27, 2009, has two parties:

- (1) the State of New Hampshire (the "State"), whose address is c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, and
- (2) the following person which is borrowing funds from the State:

Pennichuck Water Works, Inc.
25 Manchester Street
P.O. Box 1947
Merrimack NH 03054-1947
(the "Borrower")

FUNDAMENTAL PREMISES FOR THIS AGREEMENT

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the State. This loan will also receive funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

B. The Borrower is a corporation incorporated in the State of New Hampshire and subject to regulation by the Public Utilities Commission ("PUC"). The Borrower owns and operates a public water system that serves approximately 86,000 people in the greater Nashua area. The Borrower intends to borrow up to \$1,300,000 to finance the replacement and upgrade of existing distribution mains in the French Hill area of the City of Nashua ("Project").

C. The State has determined that the Borrower's request for a loan financing the cost of the Project and made in accordance with this Agreement is eligible for funding from the Drinking Water State Revolving Fund in accordance with guidelines adopted pursuant to RSA 486:14 and the American Recovery and Reinvestment Act of 2009. Under the American Recovery and Reinvestment Act of 2009 the Borrower is eligible for up to 50% principal forgiveness as provided in Section 12.1.

TERMS AND CONDITIONS OF THIS AGREEMENT

The State and the Borrower agree as follows:

1. Definitions. The following terms shall have the meanings indicated:

“ARRA Requirements” mean the requirements of the American Recovery and Reinvestment Act of 2009 and regulations and federal administrative pronouncements issued pursuant thereto and pertaining to the loan made pursuant to this Agreement and the design and construction of the Improvements, which requirements are summarized in Exhibit D attached hereto.

“Construction Contract” means the agreement between the Borrower and a contractor for construction of the Improvements.

“Contractor” means the contractor who enters into the Construction Contract.

“State” means the State of New Hampshire.

“DWSRF” means the State’s Drinking Water State Revolving Fund under RSA 486:14.

“Engineer” means the engineer who enters into the Engineering Contract.

“Engineering Contract” means the agreement between the Borrower and an engineer for engineering the design of the Improvements.

“Event of Default” has the meaning provided in Section 8.

“Guarantor” means Pennichuck Corporation.

“Guaranty” means the Guaranty of even date made by the Guarantor.

“Hazardous Materials” has the meaning provided in Section 10.1(a).

“Improvements” means the improvements to be constructed in accordance with the Plans.

“Legal Requirements” has the meaning provided in Section 10.1(b).

“Loan Proceeds” has the meaning provided in Section 2.

“Note” means the Borrower’s Promissory Note of even date in the principal amount of \$1,300,000 payable to the order of the State in the form attached hereto as Exhibit C.

“Plans” mean the plans, specifications, and drawings furnished and acceptable to the State.

"Total Budget" means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B attached hereto.

2. The State's Agreement to Disburse Proceeds. Provided the terms, covenants and agreements hereof shall be observed and performed, the State agrees to make disbursements to the Borrower of, and the Borrower agrees to borrow from the State, an amount not to exceed the total principal amount of the Note (such disbursements made, from time to time hereafter, being hereinafter referred to as the "Loan Proceeds").

3. Representations of the Borrower. The Borrower represents and warrants as follows:

(a) Recitals. The Recitals set forth at the beginning of this Agreement are true and correct;

(b) Plans. The Borrower will file the Plans with all governmental authorities having jurisdiction with respect to the Improvements;

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements and the Borrower has obtained all necessary governmental approvals to borrow funds in accordance with the Agreement which approvals are in full force and effect;

(d) No Violation. Construction of the Improvements will not violate any zoning, environmental, subdivision or land use ordinance, regulation or law;

(e) Utilities. All utility services necessary for the operation of the Improvements for their intended purpose are available at the boundary of the Premises, including, without limitation, water supply, storm and sanitary sewer facilities, electric, gas (if applicable), and telephone facilities, and all necessary governmental regulatory consents to the connecting of such facilities to the Improvements (when constructed) have been obtained, and all such utilities are of sufficient capacity to adequately meet all needs and requirements necessary for the operation of the Improvements for their intended purposes;

(f) Litigation. The Borrower is subject to litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Pennichuck Corporation or its subsidiaries. No other litigation or proceedings are pending or threatened against the Borrower or the Guarantor or affecting the Improvements that could affect the validity or priority of the Note or the Guaranty or that could affect the Borrower's or the Guarantor's ability to perform its obligations under this Agreement, the Note, and the Guaranty;

(g) Financial Statements. The balance sheets and financial statements of the Borrower and the Guarantor, which were submitted in connection with the Borrower's request for the loan contemplated herein, were prepared in accordance with generally accepted principles of accounting applied on a basis consistent with that of preceding periods and are complete and correct and fairly

present the financial condition of the Borrower and the Guarantor, respectively, as of said dates. Neither the Borrower nor the Guarantor has any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as set forth in the foregoing financial statements specifically mentioned. Since the date of such financial statements, there has been no material adverse change in the financial condition of the Borrower or the Guarantor;

(h) Due Organization and Authority. Each of the Borrower and the Guarantor is a duly organized and validly existing New Hampshire corporation in good standing under the laws of the State of New Hampshire. Each of the Borrower and the Guarantor has the power and authority to own its properties and to carry on business as now being conducted and is qualified to do business in every jurisdiction where such qualification is necessary and has the power to execute and deliver, and perform its obligations under this Agreement, the Note and the Guaranty, as the case may be;

(i) No Conflict; No Required Approvals. The execution and delivery and performance by each of the Borrower and the Guarantor of their respective obligations under this Agreement, the Note and the Guaranty, as the case may be, have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which the Borrower or the Guarantor is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or, except as may be provided by this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or the Guarantor pursuant to, any such indenture, agreement or instrument. Neither the Borrower nor the Guarantor is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement, the Note, or the Guaranty, as the case may be, except for approval and authorization from the Public Utilities Commission, which approval and authorization has been obtained;

(j) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent. Neither the Borrower nor the Guarantor is contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and neither the Borrower nor the Guarantor has knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statements referred to herein;

(k) No Material Misstatement. No statement of fact made by or on behalf of the Borrower, and no statement of fact made on behalf of the Guarantor, in this Agreement or in any certificate or schedule furnished to the State pursuant thereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower that has not been disclosed to the State that materially affects adversely, nor as far as the Borrower can foresee, will materially affect adversely the property, business, operations or conditions (financial or otherwise) of the Borrower or the Guarantor;

(l) Taxes. Each of the Borrower and the Guarantor has filed all federal, state and local tax returns required to be filed, except that they have filed for lawful extensions for filing returns for the most recent tax year, and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments;

(m) Enforceability. This Agreement and the Note, upon execution and delivery, will be the valid and binding obligations of the Borrower, and the Guaranty, upon execution and delivery, will be the valid and binding obligations of the Guarantor, in each case enforceable in accordance with their respective terms, and will not violate any other agreements or instruments to which the Borrower or the Guarantor, as the case may be, is a party or by which the Borrower or the Guarantor, as the case may be, is bound;

(n) No Broker. The making of the loan contemplated hereunder or the State's acquisition of the Note or the Guaranty will not subject the State to any claim for a brokerage commission; and

(o) Total Budget. The Borrower covenants and represents that Exhibit B attached hereto contains a complete and full enumeration of all costs (including, without limitation, hard, soft and acquisition costs) that the Borrower anticipates will be incurred in connection with the construction, the development and equipping of the Improvements and in connection with the starting up of the operation of the Improvements.

(p) ARRA Conditions. To the knowledge of the Borrower the Plans, Construction Contract, and the Engineering Contract comply with the ARRA Requirements.

Each of the foregoing representations and warranties shall survive the making of the loan hereunder, and the Borrower shall indemnify and hold harmless the State from and against any loss, damage or liability attributable to the breach thereof, including all fees and expenses incurred in the defense or settlement of any claim arising therefrom against the State.

4. Conditions Precedent. The State's obligation to advance any of the Loan Proceeds shall be subject to the satisfaction of the following conditions precedent:

(a) Title. The Borrower shall demonstrate to the satisfaction of the State that it holds all property rights and privileges necessary and appropriate for the proper construction and operation of the Improvements;

(b) Loan Documents. The Borrower and the Guarantor shall have executed and delivered to the State the Note and the Guaranty, each of which shall be in form and substance satisfactory to the State;

(c) Construction Contract. The Borrower shall prepare public bid offers for the Construction Contract, which contract shall comply with the ARRA requirements, shall require the Contractor to comply with the ARRA Requirements applicable to the Contractor, its performance of its obligations under the Construction Contract and its subcontractors, shall require the Contractor's subcontracts to require its subcontractors to comply with the ARRA Requirements,

shall require the Contractor to provide the information concerning the Contractor and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements and shall have been reviewed and approved by the State. Such State approval shall not be construed as a waiver of any ARRA Requirements that apply to the Construction Contract, the Contractor or its subcontractors and subcontracts. The Borrower shall receive authorization to award contracts from the State and enter into the Construction Contract with the Contractor in accordance with the requirements of such bid. The Borrower shall enter into the Construction Contract on or before December 1, 2009. The State will not advance Loan Proceeds for "hard costs" of labor and materials of the Project for equipping and construction of the Improvements excluding land acquisition expenses, if applicable, prior to the execution and delivery of the Construction Contract, but the State may advance Loan Proceeds for "soft cost" in the Total Budget, such as engineering fees, closing expenses and publication expenses before execution and delivery of the Construction Contract;

(d) Engineering Contract. The Borrower shall prepare a request for proposals for the Engineering Contract, and the Borrower shall enter into the Engineering Contract in accordance with the requirements of such request for proposals. The Engineering Contract shall comply with the ARRA Requirements and shall require the Engineer to comply with the ARRA Requirements applicable to it, shall require the Engineer's subcontracts to require its subcontractors to comply with the ARRA Requirements, shall require the Engineer to provide the information concerning the Engineer and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements. Any approval or acquiescence of the State with respect to the Engineering Contract shall not be construed as a waiver of any ARRA Requirements that apply to the Engineering Contract, the Engineer or its subcontractors;

(e) Assurances. The State shall receive written assurances from Engineer and the Contractor that the State shall have the same rights as the Borrower to the continued use of the Plans, and all services related thereto for the construction of the Improvements;

(f) Opinion. The State shall receive the written opinion of counsel for the Borrower, which opinion shall be satisfactory to the State, covering such matters as shall reasonably be requested by the State;

(g) Plans. The Borrower shall deliver a complete copy of the Plans to the State which Plans shall be satisfactory to the State in all respects;

(h) UCC Search. The State shall have received a satisfactory report concerning liens and security interests affecting property of the Borrower and the Guarantor;

(i) Environmental Report. The State shall have received an environmental report with respect to the Premises, which report shall be satisfactory to the State;

(j) Additional Instruments. The State shall have received such additional instruments, certificates, opinions, surveys and other documents as the State may reasonably request; and

(k) No Event of Default. No Event of Default (as defined herein) nor any event which with the giving of notice or passage of time, or both, would constitute an Event of Default shall have occurred.

5. Covenants of the Borrower. Until payment in full of all sums required to be paid by the Borrower to the State under the Note and pursuant to the provisions of this Agreement the Borrower shall:

(a) Construction. Enter into the Construction Contract, which shall be binding upon the Borrower and the Contractor on or before December 1, 2009 and cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within twelve (12) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements, including, without limitation, the ARRA Requirements;

(b) Changes. Make no significant changes in or amendments to the Plans without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes in project work that are consistent with the objectives of the project and within the scope of this agreement do not require the approval of the State;

(c) Inspection. Permit the State and its representatives to enter upon the Premises and inspect the Improvements at all reasonable times and examine all detailed plans, drawings and specifications and any books and records relating to the Premises and the Improvements;

(d) Inadequate Loan Proceeds. If for any reason the amount of undistributed Loan Proceeds shall at any time be or become insufficient to pay for the completion of the Improvements, including: (i) all items set forth in the Total Budget, (ii) all incurred cost overruns and incurred costs for items not included in the Total Budget and (iii) all cost overruns and costs not included in the Total Budget that the State deems likely to be incurred (regardless of how such condition may be caused), then prior to any further disbursement of Loan Proceeds, either (A) expend from funds other than Loan Proceeds an amount equal to such deficiency for amounts shown on the Total Budget, or (B) provide the State with an unconditional and irrevocable letter of credit in an amount equal to such deficiency from a bank and in form and substance satisfactory to the State;

(e) Sign. Erect a sign in accordance with the State specifications on the Premises at such location as the State in its reasonable discretion may determine, indicating that the Improvements are being financed by the State and with ARRA funding;

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance on the Improvements and any material or equipment used or to be used to construct the Improvements or to be installed as or become part of the Improvements, and worker's compensation insurance with such companies, in such amounts and covering such risks as shall be satisfactory to the State and furnish such insurance policies to the State (premiums prepaid or, after

failure by the Borrower to prepay the premiums or to procure such insurance policies, the State may procure any such insurance policies that it deems satisfactory at the expense of the Borrower), insuring the interests of the Borrower and the State, as their respective interests may appear and, upon request, certificates evidencing such insurance coverage shall be promptly delivered to the State;

(g) Casualty. If the Improvements shall be damaged or destroyed by fire or any other casualty, proceed with the restoration thereof and diligently prosecute the work of restoration to completion, provided that the Loan Proceeds shall not be advanced to pay any part of the cost of such restoration;

(h) [Intentionally left blank]

(i) Expenses. Pay, as may be demanded by the State, (i) the State's extraordinary, reasonable expenses (including attorneys' fees) that the State incurs in the approval, making and administration of the loan hereunder and (ii) the State's reasonable expenses that incurs in enforcement of this Agreement, the Note, the Guaranty and related documentation;

(j) Cooperation. Cooperate fully with the State with respect to any proceedings before any court, board or governmental agency that may in any way affect the rights of the State hereunder or any rights obtained by the State and, in connection therewith, permit the State, at its election, to participate in any such proceedings;

(k) Preserve Licenses. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it and in particular, as soon as practical following execution of this Agreement by the State, provide evidence to the State that it has filed executed copies of this Agreement, the Note and the Guaranty with the New Hampshire Public Utilities Commission;

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

(m) Notice of Proceedings. Give prompt written notice to the State of any proceedings instituted against it by or in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, would have an adverse effect upon its business, operations, properties, assets, or condition, financial or otherwise;

(n) Financial Statements and Audit. If requested by the State, furnish to the State such information regarding operation, assets, business affairs and financial conditions, as the State may reasonably request and in particular shall furnish to the State (i) within ninety (90) days of the close of each fiscal year during the term of the loan, annual financial statements of each of the Borrower and the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Borrower and the Guarantor, respectively, as being correct in all material respects, accompanied by an audit report of the Guarantor's respective independent certified public accountants and otherwise in form and content reasonably acceptable to the State and (ii) within forty-five (45) days of the close of each fiscal quarter during the term of the loan, quarterly financial statements of each of the Borrower and the Guarantor, in each case prepared in accordance with generally accepted accounting principles and certified by the Borrower and the Guarantor, respectively, as being correct in all material respects. If in any calendar year the Borrower expends more than \$500,000 in aggregate of the proceeds of the loan made pursuant to this Agreement together with proceeds of other loans and assistance provided with applicable funds from the United States federal government, whether for the Project or for other uses, the Borrower shall be subject to the requirements of the Single Audit Act of 1984, as amended, and regulations and other regulatory requirements promulgated thereunder, for that calendar year and the Borrower shall comply with those requirements at its expense;

(o) [Intentionally left blank]

(p) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and provide the State with written certification that the Borrower has complied with this paragraph;

(q) Two Party Check Requirements. If any contract between the Borrower or its agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such contract; and

(r) Negative Pledge. Not incur, create, or grant or permit to exist any security interest in or lien on its real or personal property, other than the security interest of Bank of America and liens for real property taxes or water or sewer charges similar assessments not yet due or contested in good faith, unless (i) prior written notice is provided by the Borrower to the State describing (x) the grant of security interest or lien, (y) the real or personal property in which a security interest or lien is intended to be granted and (z) any underlying transaction pursuant to which such grant is intended to be made and (ii) the Borrower receives from the State written consent permitting such grant of security interest in or lien on such real or personal property.

(s) ARRA Requirements. (i) Comply with the ARRA Requirements, cause the Construction Contract and the Engineering Contract to comply with the ARRA Requirements and to require the Contractor, the Engineer and their subcontractors to comply with the ARRA Requirements to the extent applicable to them and (ii) use reasonable efforts to cause the Engineer, the Contractor and their subcontractors to comply with the ARRA Requirements.

6. Loan Disbursements.

6.1 Written Applications. Upon compliance with, and subject to, the provisions of this Agreement, and provided there shall exist no Event of Default under this Agreement and no condition or event which with the giving of notice or lapse of time would constitute such an Event of Default, the State shall, upon written application by the Borrower (made not less than fourteen (14) business days prior to the date of the requested disbursement under this Section 6 and made not more often than once every month), make disbursements to the Borrower from the Loan Proceeds in the amounts hereinafter specified, but not in any event to exceed, when considered in the aggregate with amounts previously advanced by the State pursuant to this Agreement, the amount of the Loan Proceeds.

6.2 Amount of Disbursement. Each such disbursement for costs incurred by the Borrower shall be disbursed by the State from the Loan Proceeds. The amount of each disbursement shall represent the total costs incurred by the Borrower and approved by the State in conformance with the Total Budget as of the date of the disbursement request form, in excess of funds required to be provided and expended by the Borrower under the terms hereof as of the date of said disbursement request form, less any amounts previously advanced by the State from the Loan Proceeds.

6.3 Application Documents. Each application for disbursement of the Loan Proceeds, must be accompanied by the following unless waived by the State in writing:

- (a) Invoices from Engineer for services in accordance with Engineering Contract;
- (b) A completed disbursement request form signed by the authorized representative of the Borrower with the Contractor's payment estimate and invoices, in form approved by the State and with such backup information as the State may reasonably request;
- (c) A certificate of the inspecting engineer or construction supervisor as may be selected by or otherwise be satisfactory to the State, that all work performed at the site of construction as of the date of such disbursement request form has been performed in good and workmanlike manner, that all materials and fixtures usually furnished and installed at that time have been furnished and installed, all in accordance with the Plans, and that sufficient Loan Proceeds remain undisbursed to complete the Improvements in accordance with the Plans and the Total Budget;
- (d) [Intentionally left blank]
- (e) [Intentionally left blank]
- (f) [Intentionally left blank]
- (g) Any other documents that the State shall reasonably request the Borrower to provide to protect its interests, including without limitation, lien waivers of the Contractor or subcontractors.

6.4 Lien Releases or Waivers. In connection with any disbursement of Loan Proceeds, the State may require lien releases or affidavits from, or the submission of other appropriate forms by, the Borrower, the Contractor, subcontractors or materialmen as may be required by the State.

6.5 Quality of Work. No disbursement shall be made unless all work usually done at the stage of construction when the disbursement is requested is done in a good and workmanlike manner and without defects, and all materials and fixtures usually furnished and installed at that time are furnished and installed, but the State may disburse all or part of any installments before the same shall become due and payable if the State believes it advisable to do so, and all such disbursements or payments shall be deemed to have been made pursuant to this Agreement.

6.6 No Acceptance. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the State of the work theretofore done or of materials theretofore furnished.

6.7 Two Party Checks. Disbursements may be made, at the election of the State, by checks payable to the Borrower and the Contractor jointly and delivered, at the State's election, either to the Borrower or the Contractor or each subcontractor or vendor; provided, however, that disbursement shall be by check payable to the Borrower and the Contractor or any subcontractor for which the Borrower or its agent has supplied the State with a copy of a contract as provided in Section 5(q).

6.8 Limited Duty. The Borrower agrees that the State shall assume no duty with respect to disbursement of the Loan Proceeds except to disburse upon the conditions as set forth in this Agreement.

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this Agreement, and shall be charged against the Loan Proceeds.

7. Completion of Improvements. Upon completion in full of the Improvements, the Borrower shall promptly deliver to the State:

(a) Engineer's Certificate. A written certificate of the inspecting engineer or construction supervisor that the construction of the Improvements has been fully completed in a good and workmanlike manner in accordance with the Plans;

(b) [Intentionally left blank]

(c) Project Costs. A certificate by the Borrower, in form and substance satisfactory to the State, listing all categories of project costs and expenses in connection with the construction and completion of the Improvements and the amount paid by the Borrower with respect to each; and

(d) Permits. A copy of the applicable certificates, licenses, consents and approvals issued by governmental authorities with respect to the Improvements.

8. Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) [Intentionally left blank]

(b) Assignment. The Borrower attempts to assign its rights under this Agreement or any advance made or to be made hereunder or any interest therein, or if the Premises are conveyed or encumbered in any way except as permitted by this Agreement, in each case without the written consent of the State;

(c) Encroachment or Violation. Any survey, report or examination discloses that the Improvements or any portion thereof encroach upon or project over a street or upon or over adjoining property or violate any setback or other restriction, however created, or any zoning regulations or any building restriction of any governmental authority having jurisdiction with respect to the Improvements;

(d) Casualty. The Improvements or the Premises are materially damaged or destroyed by fire or other casualty or cause and the insurance proceeds therefrom are inadequate to rebuild or restore the Improvements or the Premises to their condition immediately prior to such casualty;

(e) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans;

(f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or misleading in any material respect;

(g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements in an amount in excess of \$200,000 and shall not be discharged within forty-five (45) days of such filing;

(h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement provided that in the case of failure to comply with sections 5(d), (e), (g) or (i) the same remains unremedied for a period of thirty (30) days after the date of notice thereof to the Borrower by the State not otherwise specifically referred to in this Section 8;

(i) Other Loan Documents. Any event of default as defined in the Note or the Guaranty, or any event which with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;

(j) Cessation of Work. Any substantial cessation occurs at any time in construction of the Improvements except for strikes, riots, or other causes beyond the Borrower's control, or if any substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;

(k) Voluntary Bankruptcy. The Borrower or the Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;

(l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower or the Guarantor by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower or the Guarantor of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(m) Dissolution, Etc. Except with respect to any change of control of the Borrower and/or any eminent domain taking of the Borrower's assets by the City of Nashua pursuant to the eminent domain litigation between the Borrower and the City of Nashua that is currently on appeal with the New Hampshire Supreme Court, and/or any comprehensive settlement of said eminent domain litigation resulting in any change of control, merger or consolidation of the Borrower or the Guarantor and/or any sale of assets or stock of the Borrower and/or the Guarantor out of the ordinary course of business, the death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or the Guarantor, or any other change of control of the Borrower or the Guarantor, or any other sale of assets of the Borrower or the Guarantor out of the ordinary course of business without the prior written consent of the State;

(n) Other Obligations to the State. Default by the Borrower or the Guarantor in the payment or performance of any other obligations of the Borrower or the Guarantor owed to the State, whether created prior to, concurrent with, or subsequent to the obligations arising out of this Agreement, the Note or the Guaranty, as the case may be, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower or the Guarantor in any other obligation for borrowed money in excess of One Hundred Thousand Dollars (\$100,000.00); and

(p) Judgment. Final judgment for the payment of money of more than Two Hundred Thousand Dollars (\$200,000.00) in excess of any insurance proceeds shall be rendered against the Borrower or the Guarantor and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed.

9. State's Rights and Remedies Upon Default.

9.1 General State Rights. Upon the occurrence of any Event of Default, all obligations on the part of the State to make disbursements under this Agreement shall, if the State so elects, cease, and, at the option of the State (but subject to the terms and conditions set forth in the Note and the Guaranty), the Note shall become immediately due and payable, and the State shall thereupon be authorized and empowered to exercise any rights of foreclosure; but the State may make any disbursements or portions of disbursements, after the occurrence of any such Event of Default, without thereby waiving its right to demand payment of the Borrower's indebtedness evidenced by the Note and guarantied by the Guaranty and without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 [Intentionally left blank]

9.3 [Intentionally left blank]

9.4 Costs. The Borrower shall be liable to the State for all costs paid or incurred for the construction, completion and/or equipping of the Improvements, and all payments made or liabilities incurred by the State hereunder of any kind whatsoever shall be paid by the Borrower to the State on demand, with interest at the rate specified in the Note to the date of payment. The Borrower shall also reimburse the State for any expenses incurred in collection efforts and in enforcing its remedies, including, without limitation, reasonable attorney's fees.

9.5 Cumulative Rights. Upon the occurrence of any Event of Default, the rights, powers, privileges and other remedies available to the State under this Agreement or at law or in equity may be exercised by the State at any time and from time to time, whether or not the indebtedness evidenced by the Note and guarantied by the Guaranty shall be due and payable, and whether or not the State shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Note.

9.6 Right of Set-Off. Any deposits or other sums at any time credited by or due from the State to the Borrower and any securities or other property of the Borrower at any time in possession of the State may at all times be held or treated as collateral security for the payment of the loan any and all liabilities of the Borrower or the Guarantor to the State. Upon an Event of Default the State may apply or set-off such deposits or other sums or property against such liabilities.

9.7 Power of Attorney. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this Agreement, the Borrower hereby irrevocably constitutes and appoints the State its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts that are referred to herein in the name and behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and cannot be revoked.

10. Hazardous Materials Indemnification.

10.1 Definitions.

(a) The term "Hazardous Materials" shall mean and include asbestos, polychlorinated biphenyls ("PCB's"), other carcinogens, oil and other petroleum products, and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such under RSA Chapters 146-A, 146-C, 147-A and 147-B, CERCLA, or any other applicable federal, state or local laws, rules, codes or regulations or any judicial or administrative interpretation thereof; and

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules, codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

10.2 Indemnification. At all times, both before and after any conveyance or foreclosure of the Improvements, each of the Borrower and the Guarantor shall at its sole cost and expense indemnify, exonerate, protect and save the State harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgment, suits, proceedings, costs, disbursements or expenses of any kind or nature whatsoever, including without implied limitation, attorneys' and experts' fees and disbursements, which may at any time be imposed upon, incurred by or asserted or awarded against the State and arising from or out of:

(a) Any Hazardous Materials on, in, under or affecting all or any portion of the Improvements or any areas surrounding the same before the Borrower is divested of title to the Improvements by conveyance or foreclosure or divested of possession of the Improvements following an Event of Default;

(b) The violation by either the Borrower or the Guarantor of any Legal Requirements with respect to the Improvements; or

(c) The enforcement of this Section 10 of the Agreement or the assertion by either the Borrower or the Guarantor of any defense to the obligations of the Borrower or Guarantor under this Section 10, whether any of such matters arise before or after any taking of title to or possession of all or any portion of the Improvements by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses (a) or (b) above:

(i) costs of removal of any and all Hazardous Materials from all or any portion of the Improvements or any areas surrounding the same;

(ii) additional costs required to take necessary precautions to protect against the release of Hazardous Materials (x) on, in, under, or affecting, the Improvements or (y) into the air,

any body of water or wetland, any other public domain, or any areas surrounding the Improvements;

(iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Improvements/Premises arising from any failure to comply with Legal Requirements;

(iv) costs incurred to comply with all Legal Requirements relating to the Improvements or any collateral for the loan evidenced by the Note, including, without limitation, fines, penalties or other charges imposed by any lawful authority; and

(v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Improvements and any remedial action taken on account thereof including, without limitation, the costs, fees and expenses of engineers, geologists, chemists, other scientists, attorneys, surveyors and other professionals, and testing and analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

11. Assignments. The State may assign, negotiate or pledge all or any portion of its rights under this Agreement or any of its rights with respect to the Note and the Guaranty, and, in case of such assignment, the Borrower shall accord full recognition thereto. The Borrower hereby consents to the State's delivery of any and all financial or other information concerning the Borrower or the Guarantor to any assignee or participating lender. The Borrower shall not assign or attempt to assign, directly or indirectly, any of its rights under this Agreement or under any instrument referred to herein without the prior written consent of the State.

12. General Provisions.

12.1 Forgiveness of Principal. The Borrower is eligible for forgiveness of fifty percent (50%) of the amount of principal of the Note advanced pursuant to this Agreement pursuant to the State's ARRA Revolving Loan Program. In the absence of an Event of Default fifty percent of each installment of principal due under the Note shall be forgiven from the amount of principal that would otherwise become due in each monthly installment payment of principal and interest pursuant to the Note. Upon an Event of Default, the remaining amount of principal that has not been previously forgiven in accordance with this section and accrued interest shall be due and payable in accordance with Section 9.1.

12.2 Captions. The captions in this instrument are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

12.3 Number and Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12.4 Binding Effect. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs,

executors, administrators, successors and assigns of the Borrower, as the case may be, and the successors and assigns of the State.

12.5 Notices. Any notice, demand, request or other communication given hereunder or in connection herewith shall be in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive the same at its address set forth above or at such other address as such party may hereafter designate by notice given in like fashion. Any such notice, demand, request or other communication shall be deemed given when mailed as aforesaid.

12.6 Governing Law. This Agreement has been made in the State of New Hampshire, and the provisions thereof shall be governed by and construed in accordance with the law of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

12.7 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note, contains the full, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings, representations or agreements, whether written or oral, with respect to such subject matter.

12.8 Amendment and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and, in the case of an amendment, modification or termination, by the Borrower.

12.9 Consent to Jurisdiction. The Borrower hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any right of the State under the Note or this Agreement.

12.10 Joint and Several. If the Borrower consists of more than one person or entity, such persons and entities shall have joint and several liability hereunder.

12.11 Severability. If any provision or condition of this Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the State and the Borrower have each duly caused this Agreement to be executed, by their respective officers, thereunto duly authorized, as of the day and year indicated above.

THE STATE OF NEW HAMPSHIRE

Robert J. Benedict
Witness

By: Michael Walls, Asst. Comm.
for Thomas S. Burack, Commissioner
Department of Environmental Services

PENNICHUCK WATER WORKS, INC.

Jim
Witness

By: Donald Ware
Donald Ware
President
Duly Authorized

JOINDER OF GUARANTOR

The undersigned, being the person named as the Guarantor in the foregoing Loan Agreement, hereby joins therein and agrees to be legally and equitably bound by all of the terms, covenants, warranties, representations, conditions and thereof, this 27 day of AUGUST, 2009.

Paul E. Lin
Witness

PENNICHUCK CORPORATION

By: Duane C. Montopoli
Name: Duane C. Montopoli
Title: President & CEO

LIST OF EXHIBITS

EXHIBIT A THE PREMISES (Inapplicable and therefore not attached hereto)

EXHIBIT B THE TOTAL BUDGET

EXHIBIT C THE NOTE

EXHIBIT D ARRA REQUIREMENTS

BID SHEET OF 1

Bid Tabulation Form

French Hill Water Main Improvements

Contract 2009-03

PENNICHUCK WATER WORKS

Nashua, New Hampshire

ITEM #	ESTIMATED QUANTITY	UNIT OF MEASURE	BRIEF DESCRIPTION	UNIT PRICE	TOTAL
1	95	LF	2" 200 PSI POLYETHYLENE PIPE COMPLETE INSTALLED WITH RESTORATION TO SUBGRADE	\$35.00	\$3,325.00
2	355	LF	4" C900 PVC PIPE COMPLETE INSTALLED WITH RESTORATION TO SUBGRADE	\$44.00	\$15,620.00
3	2000	LF	6" CLASS 52 DIPCL COMPLETE INSTALLED WITH RESOTRATION TO SUBGRADE	\$77.00	\$154,000.00
4	2	EA	4" MJ DI BENDS - ALL DEGREES, COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE.	\$250.00	\$500.00
5	11	EA	6" MJ DI BENDS - ALL DEGREES, COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE.	\$300.00	\$3,300.00
6	9	EA	PERMANENT 4" MJ CAP COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE	\$125.00	\$1,125.00
7	6	EA	TEMPORARY 4" MJ CAP COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE	\$75.00	\$450.00
8	1	EA	PERMANENT 6" MJ CAP COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE	\$150.00	\$150.00
9	13	EA	TEMPORARY 6" MJ CAP COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE	\$80.00	\$1,040.00
10	2	EA	TEMPORARY 8" MJ CAP COMPLETE WITH SPECIFIED GLANDS AND PRECAST THRUST BLOCK, RESTORED TO SUBGRADE	\$120.00	\$240.00
11	2	EA	6" TRANSITION COUPLING DI/DI OR DI/CI, INSTALLED AND RESTORATION TO SUBGRADE.	\$150.00	\$300.00
12	1	LS	PHASE 2 TEMPORARY WATER MAIN, COMPLETE INSTALLED WITH VALVES, PIPE AND FITTINGS AS DEFINED IN MEASUREMENT AND PAYMENT	\$40,000.00	\$40,000.00
13	1	LS	PHASE 3 TEMPORARY WATER MAIN, COMPLETE INSTALLED WITH VALVES, PIPE AND FITTINGS AS DEFINED IN MEASUREMENT AND PAYMENT	\$23,000.00	\$23,000.00
14	1	LS	PHASE 4 TEMPORARY WATER MAIN, COMPLETE INSTALLED WITH VALVES, PIPE AND FITTINGS AS DEFINED IN MEASUREMENT AND PAYMENT	\$15,000.00	\$15,000.00
15	86	EA	TYPE 1 TEMPORARY WATER SERVICE CONNECTION, INSTALLED, MAINTAINED AND REMOVED. COMPLETE WITH ALL FITTINGS AS DEFINED	\$300.00	\$25,800.00
16	21	EA	TYPE 2 TEMPORARY WATER SERVICE CONNECTION, INSTALLED, MAINTAINED AND REMOVED. COMPLETE WITH ALL FITTINGS AS DEFINED	\$1,500.00	\$31,500.00
17	9	EA	TYPE 3 TEMPORARY WATER SERVICE CONNECTION, INSTALLED, MAINTAINED AND REMOVED. COMPLETE WITH ALL FITTINGS AS DEFINED	\$2,000.00	\$18,000.00
18	5400	LF	6" CIP CLEAN AND LINE, COMPLETE AS DEFINED IN THE MEASUREMENT AND PAYMENT ITEM WITH RESTORATION TO SUBGRADE	\$14.00	\$75,600.00
19	27	EA	CLEAN AND LINE PIT COMPLETE, AS DEFINED IN THE MEASUREMENT AND PAYMENT ITEM WITH RESTORATION TO SUBGRADE	\$5,600.00	\$151,200.00
20	1	EA	1" PERMANENT AIR RELEASE VALVE ASSEMBLY - COMPLETE, INSTALLED WITH RESTORATION TO SUBGRADE	\$500.00	\$500.00
21	12	EA	1" TEMPORARY AIR RELEASE VALVE ASSEMBLY - COMPLETE, INSTALLED WITH RESTORATION TO SUBGRADE	\$50.00	\$600.00
22	5	EA	2" PERMANENT AIR RELEASE VALVE ASSEMBLY - COMPLETE, INSTALLED WITH RESTORATION TO SUBGRADE	\$500.00	\$2,500.00
23	4	EA	2" TEMPORARY AIR RELEASE VALVE ASSEMBLY - COMPLETE, INSTALLED WITH RESTORATION TO SUBGRADE	\$100.00	\$400.00
24	9	EA	REMOVE AND RESET HYDRANT, COMPLETE, INSTALLED WITH SIDEWALK RESTORATION AS DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$5,800.00	\$52,200.00
25	2	EA	NEW HYDRANT INSTALLATION, COMPLETE, INSTALLED AS DEFINED IN THE MEASUREMENT AND PAYMENT ITEM WITH SIDEWALK RESTORATION	\$8,000.00	\$16,000.00

28	10	EA	SHORT SIDE SERVICE REPLACEMENT - COMPLETE WITH 1" TYPE K COPPER TUBING AND COUPLINGS AS DEFINED IN THE MEASUREMENT AND PAYEMENT ITEM WITH RESTORATION TO SUBGRADE.	\$2,100.00	
29	900	LF	TYPE 1 TRENCH RESTORATION - COMPLETE WITH GRAVEL SUBBASE AND PAVEMENT AS SPECIFIED	\$15.00	
30	4365	LF	TYPE 2 TRENCH RESTORATION - COMPLETE WITH GRAVEL SUBBASE AND PAVEMENT AS SPECIFIED	\$60.00	
31	55	LF	TYPE 3 TRENCH RESTORATION - COMPLETE WITH GRAVEL SUBBASE AND PAVEMENT AS SPECIFIED	\$60.00	
32	345	LF	TYPE 4 TRENCH RESTORATION - COMPLETE WITH GRAVEL SUBBASE, PAVEMENT, LOAM AND SEED AS SPECIFIED	\$22.00	
33	1	LS	JEFFERSON ST @ LESSARD ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$2,000.00	
34	1	LS	CROSS ST @ LOCK ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	
35	1	LS	CROSS ST @ SUMMER ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$9,000.00	
36	1	LS	CROSS ST @ JEFFERSON ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	
37	1	LS	CROSS ST @ SHATTUCK ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$5,000.00	
38	1	EA	SHATTUCK ST @ SHATTUCK ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$2,000.00	
39	1	EA	SUMMER ST @ NORTON ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$5,000.00	
40	1	EA	SUMMER ST @ KENDRICK ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$5,000.00	
41	1	EA	SUMMER ST @ DOW ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$4,000.00	
42	1	EA	SUMMER ST @ GRANITE ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$4,000.00	
43	1	EA	LOCK ST @ ORANGE ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	
44	1	EA	LOCK ST @ GRANITE ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	
45	1	EA	LOCK ST @ KENDRICK ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	
46	1	LF	LOCK ST @ LOWELL ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	
47	1	LF	LOCK ST @ DOW ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$4,000.00	
48	1	LF	LOCK ST @ FOSTER COURT CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$7,000.00	
49	1	LS	LOCK ST @ GROVE ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$7,000.00	
50	1	LS	LOCK ST @ SALEM ST CONNECTION AS DETAIL IN THE PLANS AND DEFINED IN THE MEASUREMENT AND PAYMENT ITEM	\$10,000.00	

RESTATED ARTICLES OF INCORPORATION OF
PENNICHUCK CORPORATION

Form 16
(cont.)

THE FOREGOING RESTATED ARTICLES OF INCORPORATION CORRECTLY SET FORTH WITHOUT CHANGE THE CORRESPONDING PROVISIONS OF THE ARTICLES OF INCORPORATION AS HERETOFORE AMENDED, AND SUPERSEDE THE ORIGINAL ARTICLES OF INCORPORATION AND ALL AMENDMENTS THERETO.

Date MARCH 13, 2008

PENNICHUCK CORPORATION

(Note 1)

(Corporate name)

William D. Patterson

(Note 2)

(Signature)

SVP & CFO

(Note 2)

(Title)

WILLIAM D. PATTERSON

(Print or type name)

DISCLAIMER: All documents filed with the Corporation Division will be publicly available for inspection, physically, electronically or in other media.

- Notes: 1. Exact corporate name of corporation adopting the restated articles of incorporation.
2. Signature and title of person signing for the corporation. Must be signed by the chairman of the board of directors, president or another officer; or see RSA 293-A:1.20(f) for alternative signatures.

Mail fee with DATED AND SIGNED ORIGINAL to: Corporation Division, Department of State, 107 North Main Street, Concord NH 03301-4989.

b.

**RESTATED
ARTICLES OF INCORPORATION
OF PENNICHUCK CORPORATION**

The following Articles of Incorporation are adopted pursuant to the provisions of the New Hampshire Business Corporation Act (RSA Chapter 293-A):

ARTICLE I

The name of the corporation is PENNICHUCK CORPORATION.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The principal purposes for which the corporation is organized are:

To acquire an interest in or control of corporations or associations engaging in activities of every kind or description or any other activities through ownership of stock; to acquire such stock by purchase, exchange for its own securities or otherwise; to exercise all of the rights, powers and privileges of such stock; and to generally conduct the business and carry on the activities of a holding company.

The corporation is further empowered to transact any and all lawful business for which corporations may be incorporated under RSA Chapter 293-A.

ARTICLE IV

Except as provided in Article VII, the aggregate number of shares of capital stock which the corporation shall have authority to issue is: Eleven Million Five Hundred Thousand (11,500,000) shares of common stock, having par value of One Dollar (\$1.00) per share, and Fifteen Thousand (15,000) shares of preferred stock, having par value of One Hundred Dollars (\$100.00) per share. The following is a statement of the designations, preferences, voting powers, qualifications, limitations, restrictions, and the special or relative rights granted to or imposed upon the common stock and the preferred stock, and a statement of the authority vested in the board of directors to fix by resolution any designations, preferences, voting powers, qualifications, limitations, restrictions, and special or relative rights of any series of preferred stock that is desired but which has not been fixed herein:

1. Shares of preferred stock authorized and issued from time to time may be divided into and issued in series and classes as herein provided, each of such series and classes to be distinctly designated. All shares of preferred stock of all series of the same class shall be of equal rank and all shares of any particular series of the preferred stock shall be identical except as to the date or dates from which dividends thereon shall be cumulative as provided in paragraph 2

hereof. The shares of the preferred stock of different series, subject to any applicable provision of law, may vary as to the following terms, which shall be fixed in the case of each such series, at any time prior to the issuance of the shares thereof, in the manner provided in paragraph 7 hereof:

- a. The annual dividend rate (within such limits as shall be permitted by law) for the particular series and the date from which dividends shall be cumulative on all shares of such series issued prior to the record date for the first dividend for such series;
- b. The redemption price or prices, if any, for the particular series;
- c. The amount or amounts per share for the particular series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation, which may be different for voluntary or involuntary liquidation, dissolution or winding up;
- d. The terms and amount of any sinking fund provided for the purchase or redemption of shares of the particular series; and
- e. The conversion, participating or other special rights, and the qualifications, limitations or restrictions thereof, if any of the particular series.

2. The holders of each series of the preferred stock at the time outstanding shall be entitled to receive, but only when and as declared by the board of directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate for the particular series fixed therefor as herein provided; payable quarter-yearly on the fifteenth days of January, April, July and October in each year, to shareholders of record on the respective dates, not exceeding forty (40) days preceding such dividend payment dates, fixed for the purpose by the board of directors. No dividends shall be declared on any series in a particular class of the preferred stock in respect of any quarter-yearly dividend period unless there shall likewise be declared on all shares of all series in said class of the preferred stock at the time outstanding, like proportionate dividends, ratably, in proportion to the respective annual dividend rates fixed therefor, in respect of the same quarter-yearly dividend period, to the extent that such shares are entitled to receive dividends for such quarter-yearly dividend period. The dividends on shares of all series of the preferred stock shall be cumulative. In the case of all shares of each particular series, the dividends on shares of such series shall be cumulative:

- a. If issued prior to the record date for the first dividend on the shares of such series, then from the date for the particular series fixed therefor as herein provided;
- b. If issued during the period commencing immediately after a record date for a dividend and terminating at the close of the payment date for such dividend, then from such dividend payment date; and

- c. Otherwise from the quarter-yearly dividend payment date next preceding the date of issue of such shares;

so that unless dividends on all outstanding shares of each series of the preferred stock, at the annual dividend rate and from the dates for accumulation thereof fixed as herein provided shall have been paid for all past quarter-yearly dividend periods, but without interest on cumulative dividends, no dividends shall be paid or declared and no other distribution shall be made on the common stock, and no common stock shall be purchased or otherwise acquired for value by the corporation. The holders of the preferred stock of any series shall not be entitled to receive any dividends thereon other than the dividends referred to in this paragraph 2.

3. The corporation, by action of its board of directors, may redeem the whole or any part of any series of the preferred stock, at any time or from time to time, at the redemption price of the shares of the particular series fixed therefor as herein provided, together with a sum in the case of each share of each series so to be redeemed, computed at the annual dividend rate for the series of which the particular share is a part from the date from which dividends on such share became cumulative to the date fixed for such redemption, less the aggregate of the dividends theretofore or on such redemption date paid thereon or declared and set aside for payment thereon. Notice of every such redemption shall be given by publication at least once in a daily newspaper printed in the English language and of general circulation in the City of Nashua, New Hampshire, or Boston, Massachusetts, the first publication in such newspaper to be at least thirty (30) days and not more than ninety (90) days prior to the date fixed for such redemption. At least thirty (30) days' and not more than ninety (90) days' previous notice of every such redemption shall also be mailed to the holders of record of the shares of the preferred stock so to be redeemed, at their respective addresses as the same shall appear on the books of the corporation; but either or both of such requirements for notice by publication and notice by mailing may be waived by the holders of the shares to be redeemed and, in any event, no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of the preferred stock so to be redeemed. In case of the redemption of a part only of any series of the preferred stock at the time outstanding, the corporation shall select by lot or pro rata, in such manner as the board of directors may determine, the shares so to be redeemed. The board of directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which the shares of the preferred stock shall be redeemed from time to time. If such notice of redemption shall have been duly given publication, and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered by cancellation, from and after the date fixed for redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called for redemption shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon redemption thereof, without interest; provided, however, that the corporation may, after giving notice by publication of any such redemption as hereinbefore provided or after giving to

the bank or trust company hereinafter referred to irrevocable authorization to give such notice by publication, and, at any time prior to the redemption date specified in such notice, deposit in trust, for the account of the holders of the shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United States of America or of the State of New Hampshire or Commonwealth of Massachusetts, doing business in the City of Nashua, New Hampshire, or the City of Boston, Massachusetts, having capital, surplus and undivided profits aggregating at least \$10,000,000, designated in such notice of redemption and upon such deposit in trust, all shares with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive, out of the funds so deposited in trust, from and after the date of such deposit, the amount payable upon the redemption thereof, without interest, provided further that notice of such right shall be included in the notice of redemption hereinabove provided for. Nothing herein contained shall limit any legal right of the corporation to purchase or otherwise acquire any shares of the preferred stock at not exceeding the price at which the same may be redeemed. All or any shares of the preferred stock at any time redeemed, purchased or acquired by the corporation may thereafter, in the discretion of the board of directors, be reissued or otherwise disposed of at any time or from time to time to the extent and in the manner now or hereafter permitted by law, subject, however, to the limitations imposed by the terms of any particular class or series of the preferred stock adopted in the manner provided in paragraph 7 hereof.

4. Before any amount shall be paid to, or any assets distributed among, the holders of the common stock upon any liquidation, dissolution or winding up of the corporation, and after paying or providing for the payment of all creditors of the corporation, the holders of each series of the preferred stock at the time outstanding shall be entitled to be paid in cash the amount for the particular series fixed therefor as herein provided, together with a sum in the case of each such share of each series, computed at the annual dividend rate for the series of which the particular share is a part, from the date from which dividends on such share became cumulative to the date fixed for the payment of such distributive amount, less the aggregate of the dividends theretofore or on such date paid thereon or declared and set aside for payment thereon; but no payments on account of such distributive amounts shall be made to the holders of any series of the preferred stock unless there shall likewise be paid at the same time to the holders of each other series of the same class of the preferred stock at the time outstanding like proportionate distributive amounts, ratably, in proportion to the full distributive amounts to which they are respectively entitled as herein provided. Each class of stock shall be entitled to receive such payments on the basis of the relative seniority of such class with respect to each other class. The holders of the preferred stock of any series shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the corporation other than the amounts referred to in this paragraph. Neither the consolidation or merger of the corporation with or into any other corporation or corporations, nor the sale or transfer by the corporation of all or any part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the corporation for the purposes of this paragraph.

5. Whenever the full dividends on all series of the preferred stock at the time outstanding for all past quarter-yearly dividend periods shall have been paid or declared and set apart for payment, then such dividends (payable in cash, stock or otherwise), as may be

determined by the board of directors may be declared and paid on the common stock, but only out of funds legally available for the payment of such dividends.

6. In the event of any liquidation, dissolution or winding up of the corporation, all assets and funds of the corporation remaining after paying or providing for the payment of all creditors of the corporation and after paying or providing for the payment to the holders of shares of all series of the preferred stock of the full distributive amounts to which they are respectively entitled, as herein provided, shall be divided among and paid to the holders of the common stock according to their respective shares.

7. The corporation may, at any time or from time to time, within the then total authorized amount of the preferred stock of all series, increase the authorized amount of any series of the preferred stock or of any preferred stock which is not part of a then existing series, establish or reestablish any unissued shares of the preferred stock as shares of the preferred stock of any series as preferred stock which is not part of a then existing series, create one or more additional classes or series of the preferred stock, fix the authorized amount of any class or series (which amount shall be subject to change from time to time by like action), and fix the designations, and the terms of any class or series of the preferred stock in the respects in which the shares or any class or series may vary from the shares of other class or series of the preferred stock as provided in paragraph 1 hereof, by the vote of the holders of a majority of the total number of shares of the common stock of the corporation then outstanding given at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof. In case and to the extent that, under the laws of New Hampshire at the time in effect, the board of directors of the corporation shall be authorized by law to create new classes or series of the preferred stock or to fix the amounts, designations, and the terms of the shares of any class or series of the preferred stock or to take any other action with respect to the preferred stock of the corporation specified in this paragraph 7, no action of shareholders of the corporation with respect thereto shall be required under the provisions of this paragraph 7 and all action authorized by the provisions of this paragraph 7 to be taken by vote of the holders of the common stock may be taken by vote of the board of directors of the corporation.

8. (A) So long as any shares of the preferred stock of any series are outstanding, the corporation shall not, without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of at least two-thirds of the total number of shares of the preferred stock of all series then outstanding:

- a. Create or authorize any kind of stock (other than a series of the preferred stock) ranking prior to or on parity with the preferred stock, or create or authorize any obligation or security convertible into shares of stock of any such kind; or
- b. Amend, alter, change or repeal any of the express terms of the preferred stock or of any series of the preferred stock then outstanding in a manner prejudicial to the holders thereof; provided, however, that if any such amendment, alteration, change or repeal would be prejudicial to the holders of one or more, but not all, of the series of the preferred stock at the time outstanding, only such consent of the

holders of two-thirds of the total number of shares of all series so affected shall be required; or

- c. Issue any additional shares of any series of the preferred stock, unless (i) for the purpose of refunding all of the shares of any particular series of preferred stock then outstanding, subject to any limitations on redemption which may exist with respect to such series; or (ii) the net earning of the corporation applicable to the payment of dividends on the preferred stock, and unless the net earnings applicable to the payment of interest charges on its indebtedness, in each instance after provision for depreciation and all taxes chargeable as operating expense and determined in accordance with sound accounting practice, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the calendar month within which such additional shares of stock shall be issued, shall, respectively, have been at least two (2) times the dividend requirements for a twelve (12) months' period upon the entire amount of the preferred stock to be outstanding immediately after the proposed issue of such additional shares of preferred stock and at least one and one-half (1 1/2) times the aggregate of such dividend requirements and of the interest charges for said period on the entire amount of the indebtedness to be likewise outstanding; but excluding from each of the foregoing computations interest charges on all indebtedness which is to be retired through the issue of such additional shares of preferred stock.

(B) So long as any shares of the preferred stock of any series are outstanding, the corporation shall not pay any dividends on or make any other distribution to the holders of shares of its common stock if after giving effect to such payment or distribution the capital of the corporation represented by its common stock together with its surplus as then stated on its books of accounts shall in the aggregate be less than the involuntary liquidating value of its then outstanding preferred stock.

9. No holder of shares of any series of the preferred stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class, series or kind whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

10. (A) At all meetings of the shareholders of the corporation the holders of common stock shall be entitled to one vote for each share of common stock held by them respectively except as herein otherwise expressly provided. The holders of the preferred stock shall have no right to vote and shall not be entitled to notice of any meeting of shareholders of the corporation nor to participate in any such meeting except as herein otherwise expressly provided and except for those purposes, if any, for which said rights cannot be denied or waived under some mandatory provision of law which shall be controlling.

(B) If and when (i) dividends payable on any series of the preferred stock shall be in default in an amount equivalent to four (4) full quarter-yearly dividends on the shares of

such series of the preferred stock then outstanding, or (ii) any mandatory redemption payment shall be in arrears by five (5) or more days with respect to the shares of any series of preferred stock then outstanding, and until all dividends then in default shall have been paid or declared and set apart for payment, and any mandatory redemption payment then in arrears shall have been paid, the holders of all preferred stock, voting separately as one class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full board of directors, and the holders of the common stock, voting separately as a class, shall be entitled to elect the remaining directors of the corporation. The terms of office of all persons who may be directors of the corporation at the time shall terminate upon the election of a majority of the board of directors by the holders of the preferred stock, whether or not the holders of the common stock shall then have elected the remaining directors of the corporation.

(C) If and when all dividends then in default on the preferred stock then outstanding shall be paid or declared and set apart for payment (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practicable), and any mandatory redemption payment then in arrears shall have been paid, the preferred stock shall thereupon be divested of any special right with respect to the election of directors provided in subparagraph (B) hereof, the voting power of the preferred stock and the common stock shall revert to the status existing before the occurrence of such default; but always subject to the same provisions for vesting such special rights in the preferred stock in case of further like default or defaults in dividends thereon or further arrearages in mandatory redemption payments thereon. Upon the termination of any such special right, the terms of office of all persons who may have been elected directors of the corporation by vote of the holders of the preferred stock, as a class, pursuant to such special right shall forthwith terminate, and the resulting vacancies shall be filled by the vote of a majority of the remaining directors.

(D) In case of any vacancy in the office of a director occurring among the directors elected by the holders of preferred stock, as a class, pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of preferred stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Likewise in case of any vacancy in the office of a director occurring among the directors elected by the holders of common stock pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of the common stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

(E) Whenever under the provisions of subparagraph (B) hereof, the right shall have accrued to the holders of the preferred stock to elect directors, the board of directors shall within ten (10) days after delivery to the corporation at its principal office of a request to such effect signed by any holder of preferred stock entitled to vote, call a special meeting of all shareholders to be held within forty (40) days from the delivery of such request for the purpose of electing directors. At all meetings of shareholders held for the purpose of electing directors during such times as the holders of shares of the preferred stock shall have the special right, voting separately as one class, to elect directors pursuant to subparagraph (B) hereof, the

presence in person or by proxy of the holders of a majority of the outstanding shares of the common stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of all series of the preferred stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of either such class shall not prevent the election at any such meeting or adjournment thereof of directors by the other such class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided further that in the absence of a quorum of the holders of stock of either such class, a majority of those holders of the stock of such class who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such class from time to time without notice other than announcement at the meeting until the requisite amount of holders of such class shall be present in person or by proxy, but such adjournment shall not be made to a date beyond the date for the mailing of notice of the next annual meeting of the corporation or special meeting in lieu thereof.

(F) Except when some mandatory provision of law shall be controlling and except as otherwise provided in clause (b) of paragraph 8(A) hereof and, as regards the special rights of any series of the preferred stock as provided in the resolutions creating such series, whenever shares of two or more series of the preferred stock are outstanding, no particular series of the preferred stock shall be entitled to vote as a separate series on any matter and all shares of the preferred stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the corporation by classes may now or hereafter be required.

11. From time to time, and without limitation of other rights and powers of the corporation as provided by law, the corporation may reclassify its capital stock and may create or authorize one or more classes or kinds of stock ranking prior to or on a parity with or subordinate to the preferred stock or may increase the authorized amount of the preferred stock or of the common stock or of any other class of stock of the corporation or may amend, alter, change or repeal any of the rights, privileges, terms and conditions of the preferred stock or of any series thereof then outstanding or of the common stock or of any other class of stock of the corporation, upon the vote, given at a meeting called for that purpose in accordance with the provisions of paragraph 12, hereof, of a majority in interest of the shareholders then entitled to vote thereon or upon such other vote of its shareholders then entitled to vote thereon as may then be provided by law; (i) provided that the consent of the holders of the preferred stock (or of any series thereof) required by the provisions of subparagraph (A) of paragraph 8 hereof, if any such consent be so required, shall have been obtained; (ii) provided that the rights, privileges, terms and conditions of the common stock shall not be subject to amendment, alteration, change or repeal without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of a majority of the total number of shares of the common stock then outstanding; and (iii) provided that any limitations imposed by the terms of any particular class or series of the preferred stock adopted in the manner provided in paragraph 7 hereof, shall have been satisfied.

12. Notice of any meeting of shareholders of the corporation, or of the holders of any class or series of stock, required or authorized hereunder or by law, setting forth the purpose or purposes of such meeting, shall be mailed by the corporation, in the manner provided in the

corporation's bylaws. Any action authorized to be taken at a meeting called for that purpose in accordance with the provisions of this paragraph 12 may be taken either at a special meeting, or at any regular or annual meeting provided that notice of such proposed action is included in the notice of such regular or annual meeting. Except where some mandatory provision of law shall be controlling, no other, longer or additional notice need be given of any such meeting and all holders of shares of stock of the corporation, by becoming such, hereby consent to the holding of any such meeting upon notice given as hereinbefore provided and hereby waive, to the full extent permitted by law any right to require the giving of or to receive any such other, longer or additional notice.

13. The corporation may, at any time and from time to time, issue and dispose of any of the authorized and unissued shares of the preferred stock and common stock for such consideration as may be fixed by the board of directors, subject to any provisions of law then applicable, and subject to the provisions of any resolutions of the shareholders of the corporation relating to the issue and disposition of such shares.

14. The shareholders of the corporation shall not have preemptive rights to acquire unissued or treasury shares of common stock or securities convertible into such shares or carrying a right to subscribed to or acquire shares. This provision shall apply to the holders of the corporation's common stock, whether issued prior to or subsequent to the adoption hereof.

ARTICLE V

Subject to the provisions of Article IV and any other restrictions imposed by law, the board of directors may (i) purchase, take, receive or otherwise acquire, hold, own, pledge, transfer or otherwise dispose of the shares of the corporation, but purchases of such shares, whether direct or indirect, shall be made only to the extent of unreserved and unrestricted earned surplus and capital surplus of the corporation available for such purchases; and (ii) distribute to its shareholders out of the capital surplus of the corporation a portion of its assets, in cash or property.

ARTICLE VI

In addition to any affirmative vote required by law or these Articles of Incorporation, the vote of shareholders of the corporation required to approve any Business Combination (as defined hereinbelow) shall be as set forth in this Article VI. Each capitalized or other term used in this Article VI shall have the meaning ascribed to it in Section 3 hereof or as otherwise defined herein.

1. None of the following Business Combinations shall be consummated without the affirmative vote of the holders of at least two-thirds of the shares entitled to vote thereon ("Voting Stock"), unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote:

- a. any merger or consolidation of the corporation or any Subsidiary with or into (i) any Interested Shareholder or (ii) any other corporation or entity (whether or not itself an Interested Shareholder) which is, or after each merger or consolidation would be, an Affiliate of an Interested Shareholder;
- b. any sale, lease, exchange, mortgage; pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of assets of the corporation or any Subsidiary having an aggregate Fair Market Value of \$1,000,000 or more;
- c. the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; other than the issuance of securities upon the conversion of any class or series of stock or securities convertible into stock of the corporation or any Subsidiary which were not acquired by such Interested Shareholder (or such Affiliate) from the corporation or a Subsidiary;
- d. the adoption of any plan or proposal for the liquidation or dissolution of the corporation or any Subsidiary proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or
- e. any reclassification of securities (including any reverse stock split), or any recapitalization of the corporation or any other Subsidiary, or any merger or consolidation of the corporation with or into any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which in any such case (i) has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of stock of the corporation or any Subsidiary which is directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate of any Interested Shareholder (ii) would have the effect of increasing such proportionate share upon conversion of any class or series of stock or securities convertible into stock of the corporation or any Subsidiary.

2. The provisions of Section 1 hereof shall not be applicable to any Business Combination in respect of which all of the conditions specified in either of the following Subsections a and b are met. Any such Business Combination shall require the affirmative vote of only the holders of a majority of the shares of common stock of the corporation.

- a. Such Business Combination shall have been approved by a majority of the Disinterested Directors, or
- b. All conditions specified in the following Paragraphs (1) through (5) shall have been met:

(1) Minimum Price: Consideration for Stock.

(a) Common Stock.

The aggregate amount of the cash and the Fair Market Value as of the "Consummation Date" of any consideration other than cash to be received by holders of the common stock of the corporation in such Business Combination shall be at least equal to the higher of the following:

- (i) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such common stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher; or
- (ii) the Fair Market Value per share of such common stock on the Announcement Date or the Determination Date, whichever is higher; and

(b) Other Stock.

The aggregate amount of the cash and the Fair Market Value as of the Consummation Date of any consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock other than Common stock shall be at least equal to the highest of the following (it being intended that the requirements of this Subparagraph (b) shall be required to be met with respect to every class and series of such Voting Stock, whether or not the Interested Shareholder beneficially owns any shares of a particular class or series of such Voting Stock):

- (i) the highest per share price (including any brokerage commissions, transfers taxes and soliciting dealers' fees) paid in order to acquire any shares of such class or series of Voting Stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher;
- (ii) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation; or
- (iii) the Fair Market Value per share of such class or series of Voting Stock on the Announcement Date or the Determination Date, whichever is higher; and

(c) Form of Consideration.

The consideration to be received by holders of a particular class or series of outstanding Voting stock shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of such class or series of Voting Stock that are beneficially owned by the Interested Shareholder and, if the Interested Shareholder beneficially owns shares of any class or series of Voting Stock that were acquired with varying forms of consideration, the form of consideration to be received by the holders of such class or series of Voting Stock shall be either cash or the form used to acquire beneficially the largest number of shares of such class or series of Voting Stock beneficially acquired by it prior to the Announcement Date; and

(2) Prohibited Conduct.

After the Determination Date, and prior to the Consummation Date:

(a) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at regular dates therefor the full amount of any dividends, (whether or not cumulative) payable on any class or series having a preference over the common stock of the corporation as to dividends, or upon liquidation;

(b) there shall have been no reduction in the annual rate of dividends paid on the common stock of the corporation (except as necessary to reflect any division of the common stock) except as approved by a majority of the Disinterested Directors; and there shall have been an increase in such annual rate of dividends as necessary to prevent any such reduction in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the common stock, unless the failure so to increase such annual rate was approved by a majority of the Disinterested Directors;

(c) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction in which it became an Interested Shareholder; and

(d) after such Interested Shareholder has become an Interested Shareholder, such Interested shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(3) Informational Requirements.

A proxy or information statement describing the proposed Business Combination and complying with the then current requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to holders of Voting Stock at least 30 days prior to the shareholder vote on such Business Combination (whether or not such proxy or

information statement is required to be mailed pursuant to such Act or subsequent provisions).

3. For the purpose of this Article VI.

a. The term "Business Combination" shall mean any transaction that is referred to in any one or more Subsections a through e of Section 1 hereof.

b. A "person" shall mean an individual, firm, corporation or other entity.

c. "Interested Shareholder" shall mean any person (other than the corporation or any Subsidiary) who or which:

- (1) is the beneficial owner, directly or indirectly, of more than 10 percent of the combined voting power of the then outstanding shares of Voting Stock;
- (2) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the combined voting power of the then outstanding shares of Voting Stock; or
- (3) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock that were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

d. A person shall be a "beneficial owner" of any Voting Stock:

(1) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly;

(2) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(3) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

e. For the purposes of determining whether a person is an Interested Shareholder pursuant to Subsection c of this Section 3, the number of shares of Voting Stock deemed to be

outstanding shall include shares deemed owned through application of Subsection d of this Section 3.

f. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on April 6, 1984.

g. "Subsidiary" means any corporation more than 50 percent of whose outstanding stock having ordinary voting power in the election of directors is owned, directly or indirectly, by the corporation or by a subsidiary thereof or by the corporation and one or more Subsidiaries thereof; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Subsection c of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

h. "Disinterested Director" means any member of the Board of Directors of the corporation who is unaffiliated with, and not a nominee of, the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Shareholder and who is recommended to succeed a Disinterested Director by a Majority of Disinterested Directors then on the Board of Directors.

i. "Fair Market Value" means:

(1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the higher closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and

(2) in the case of stock of any class or series which is not traded on any United States registered securities exchange nor in the over-the-counter market or in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

j. In the event of any Business Combination in which the corporation survives; the phrase "any consideration other than cash" as used in Paragraph b (I) of Section 2 hereof shall include the shares of common stock and/or the share of any class or series of outstanding Voting Stock other than common stock of the corporation retained by the holders of such shares.

k. "Announcement Date" means the date of first public announcement of the proposed Business Combination.

l. "Consummation Date" means the date of consummation of a Business Combination.

m. "Determination Date" means the date on which the Interested Shareholder became an Interested Shareholder.

4. A majority of the Disinterested directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry all facts necessary to determine compliance with this Article VI, including, without limitation, (i) whether a person is an Interested Shareholder, (ii) the number of shares of Voting Stock beneficially owned by a person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of Section 2 hereof have been met with respect to any Business Combination, and (v) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$1,000,000 or more. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article VI.

5. Nothing contained in this Article VI shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

ARTICLE VII

Notwithstanding anything to the contrary contained in Article IV, the corporation shall have authority to issue 100,000 shares of a class of preferred stock having no par value. The shares of such class of preferred stock may be issued by the corporation at any time or from time to time by vote of the board of directors without the approval of the shareholders. Such class of preferred stock shall have the following preferences, limitations and rights:

1. So long as any shares of the preferred stock authorized by Article IV are outstanding, the shares of preferred stock authorized by this Article VII shall rank junior to such other shares of the preferred stock.

2. The shares of such class shall be entitled to vote on any one or more of the following matters as may be fixed by the board of directors at the time the shares are issued: (i) any Business Combination, as defined in Subsection a of Section 3 of Article VI, required to be approved pursuant to the provisions of Section I of Article VI; (ii) any merger or consolidation of the corporation with or into any other corporation or corporations or any sale of all, or substantially all, of the corporation's property and assets, with or without the goodwill, not qualifying as a Business Combination subject to the provisions of Article VI; (iii) any repeal or change of the Bylaws pursuant to Article VIII; (iv) any amendment of these Articles of Incorporation pursuant to Article XI; and (v) any other matters not inconsistent with these

Articles of Incorporation. The shares of such class shall vote as a class with respect to the foregoing matters unless otherwise provided by the board of directors at the time the shares are issued.

3. Dividends, if any, paid on the shares of such class may be cumulative or noncumulative as may be fixed and determined by the board of directors at the time the shares are issued.

4. All or any portion of the shares of such class may be redeemed at such price and under such terms and conditions as may be fixed and determined by the board of directors at the time the shares are issued.

5. There shall be paid upon the shares of such class such amounts in the event of voluntary and involuntary liquidation as may be fixed and determined by the board of directors at the time the shares are issued.

6. The shares of such class may be converted into shares of common stock as may be fixed and determined by the board of directors at the time the shares are issued.

7. The issuance of shares of such class of preferred stock shall not be subject to preemptive rights of any shareholder.

8. The shares of such class of preferred stock may have any other preferences, limitations and rights as may be fixed and determined by the board of directors at the time the shares are issued.

The board of directors shall have authority to divide such class of preferred stock into series and to fix and determine the relative preferences, limitations and rights of the shares of any series so established, including (i) the rate of dividend; (ii) whether the shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption; (iii) sinking fund provisions, if any, for the redemption or purchase of shares; (iv) the amount payable upon shares in event of voluntary and involuntary liquidation; (v) the terms and conditions, if any, on which the shares may be converted; or (vi) special voting rights, if any.

ARTICLE VIII

The Bylaws of the corporation may be amended only by a majority of the full Board of Directors, subject to repeal or change only by vote of the holders of two-thirds of the shares entitled to vote, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

ARTICLE IX

The Directors shall be divided into three classes, each class to be as nearly equal in number as possible, the term of office of Directors of the first class to expire at the first annual

meeting of shareholders after their election, that of the second class to expire at the second annual meeting after their election and that of the third class to expire at the third annual meeting after their election. At each annual meeting after such classification, a number of Directors equal to the number of the class whose terms expire at the time of such meeting shall be elected to hold office until the third succeeding annual meeting.

ARTICLE X

A Director may be removed from office only by vote of the holders of two-thirds of the shares entitled to vote at an election of Directors.

ARTICLE XI

These Articles of Incorporation may be amended by vote of the holders of a majority of the shares entitled to vote, except for Article VI, Article VII, Article VIII, Article IX, Article X and this Article XI which may be amended only by vote of the holders of two-thirds of the shares entitled to vote, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

ARTICLE XII

To the fullest extent now or hereafter permitted by law, no director or officer of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for any breach of fiduciary duty as a director or officer. Any amendment or repeal of the foregoing provision shall not adversely affect any right or protection of any director or officer of the corporation existing at the time of such amendment or repeal.

AMENDED AND RESTATED
CERTIFICATE OF DESIGNATION
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
PENNICHUCK CORPORATION

WHEREAS, Pennichuck Corporation, a corporation organized and existing under the General Business Corporation Law of the State of New Hampshire (hereinafter called the "Corporation"), hereby certifies that the Board of Directors of the Corporation (hereinafter called the "Board of Directors" or the "Board") pursuant to the authority granted to and vested in the Board in accordance with the provisions of the Restated Certificate of Incorporation of the Corporation, as amended from time to time (the "Restated Certificate of Incorporation"), created a series of Preferred Stock of the Corporation, no par value per share (the "Series A Junior Participating Preferred Stock"), by resolution at a meeting duly called and held on April 20, 2000 and stated the designation and number of shares, and fixed the relative rights, preferences, and limitations thereof in a certificate of designation (the "Certificate of Designation") filed with the Secretary of State of the State of New Hampshire on such date;

WHEREAS, the Corporation hereby certifies that the Board of Directors, by resolution at a meeting duly called and held on March 22, 2006 approved an amendment to the Restated Certificate of Incorporation increasing to 50,000 the number of shares of Series A Junior Participating Preferred Stock authorized under the Restated Certificate of Incorporation through filing an amended and restated Certificate of Designation with the Secretary of State of the State of New Hampshire that amends and restates the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 50,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year

(each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value \$1.00 per share (the "Common Stock"), of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Restated Certificate of Incorporation, including any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation

ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Restated Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction,

the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment. The Restated Certificate of Incorporation shall not be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock.

EXHIBIT C

BYLAWS OF PENNICHUCK CORPORATION

ARTICLE I
PRINCIPAL OFFICE

The principal office of the Corporation shall be at Nashua in Hillsborough County in the State of New Hampshire.

ARTICLE II
SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the principal office of the Corporation or at such place within or without the State of New Hampshire as the Board of Directors may designate.

Section 2. Annual Meetings. A meeting of the shareholders of the Corporation for the election of Directors and for the transaction of any other business of the Corporation shall be held annually, at such time and on such date as the Board of Directors may designate.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the laws of the State of New Hampshire, may be called at any time by the Chairman of the Board, the President or a majority of the Board of Directors and shall be called upon the written request of the holders of not less than one-tenth of all the outstanding capital stock of the Corporation entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered at the principal office of the Corporation addressed to the Chairman of the Board, the President or the Secretary not less than sixty days before the date of the meeting.

Section 4. Notice of Meetings and Adjourned Meetings. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the President, the Secretary or the officers or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books or records of the Corporation as of the record date prescribed in Section 5 of this Article II, with postage thereon prepaid. If a shareholder be present

at a meeting, or in writing waives notice thereof before or after the meeting, notice of such meeting to such shareholder shall be unnecessary. When a meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting at which adjournment is taken. If a new record date for the adjourned meeting is fixed, notice of the adjourned meeting shall be given in the manner provided in this Section 4 to persons who are shareholders as of the new record date. A new record date shall be fixed if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

Section 5. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of, or to vote at, any meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purposes, the Board of Directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than seventy days and, in case of a meeting of shareholders, not less than ten days prior to the meeting or other date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. In the absence of a quorum at any meeting, or any adjournment thereof, the shareholders present, in person or by proxy, at such meeting shall have the power to adjourn the meeting from time to time, without further notice, until shareholders holding the requisite number of shares shall be so present. The shareholders present, in person or by proxy, at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 7. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or his duly authorized attorney-in-fact. Any proxy purporting on its face to have been executed by an attorney-in-fact for a shareholder, unless contested prior to its being voted, shall be conclusively presumed to have been duly authorized. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the Board of Directors. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy.

Section 8. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation, if a majority of the shares entitled to vote for the election of Directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 9. Voting of Shares in the Name of Two or More Persons. When ownership of shares of stock stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the shareholders of the Corporation any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such shares and present in person or by proxy at such meeting, but no votes shall be cast for such shares if a majority cannot agree.

Section 10. Voting. Every shareholder entitled to vote at any meeting shall be entitled to cast one vote, in person or by proxy, for each share of stock held by the shareholder. Where title to a share or shares is held by two or more shareholders, such shares shall be voted at a meeting only if all such shareholders are present in person or by proxy and are in agreement as to how such shares shall be voted. Unless otherwise provided by law or in the Corporation's Articles of Incorporation or these Bylaws, a majority of votes cast by shareholders shall be determinative. An authorization of the shareholders for the sale, lease, exchange or other disposition of all of the property and assets, with or without the good will of the Corporation, not in the usual and regular course of business, shall require the affirmative vote of the holders of a two-thirds majority of the shares of the Corporation entitled to vote.

Section 11. Inspectors of Election. In advance of any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment thereof. The number of inspectors shall be either one or three. If the Board of Directors so appoints either one or three such inspectors, that appointment shall not be altered at the meeting. If

inspectors of election are not so appointed, the Chairman of the Board or the President may, and on the request of a majority of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of such votes shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting or at the meeting by the Chairman of the Board or the President.

The duties of such inspectors shall include: determining the total outstanding number of shares of stock and the voting power of each share; the shares of stock represented at the meeting; the existence of a quorum; and the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; and determining the result and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III THE BOARD OF DIRECTORS

Section 1. Number. The Board of Directors shall consist of a number of persons, not less than three nor more than thirteen, to be fixed from time to time by the Board of Directors.

Section 2. Election. Directors shall be elected at the annual meeting of shareholders by a majority of those present, or represented by proxy, and voting. Any vacancy occurring in the Board of Directors in between annual meetings of the shareholders, due to death, resignation or any other cause including an increase in the number of Directors, may be filled by the affirmative vote of a majority of the remaining Directors although less than a quorum of the Board of Directors. The remaining Directors may appoint a person to fill the vacancy until the next annual meeting of shareholders. All Directors shall be sworn to the faithful performance of their duties.

Section 3. Qualification. No Director shall be required to be a shareholder of the Corporation. The President shall be a member of the Board of Directors. Directors shall hold office until their successors in office have been chosen and qualified. No Director shall be eligible for re-election as a Director of the Corporation after such Director shall have attained the age of 72; provided, however, that a majority of the disinterested members of the Board of Directors may waive such requirement upon a determination

that the continued service of such a Director will be beneficial to the Corporation and its shareholders.

Section 4. Removal. Any Director may be removed from office with or without cause by a vote of the holders of two-thirds of the shares entitled to vote at an annual meeting held inter alia for the purpose of electing Directors.

Section 5. Regular Meetings. The Board of Directors shall hold regular meetings not less frequently than quarterly on such dates and at such times as the Board may designate. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of shareholders.

Section 6. Special Meetings. Special meetings of the Board in lieu of or in addition to the regular meetings shall be held at such times as the Chairman of the Board, President or any four Directors may require.

Section 7. Notice. Notice of regular and special meetings shall be sent by the Secretary or President, by mailing, a written notice of such meeting, at least five days prior to the day of the meeting, or by sending notice via electronic transmission, including facsimile or e-mail, at least forty-eight hours prior to the time of the meeting, or by delivering notice in hand or orally by telephone at least twenty-four hours prior to the time of the meeting. Any Director may waive notice of any meeting in writing filed with the Secretary. Notice of the annual meeting of the Board shall not be required.

Section 8. Quorum. No less than a majority of Directors shall constitute a quorum for the transaction of business at the meetings of the Board, and the concurrence of a majority of those present at any meeting shall be necessary to give validity to any vote.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors or by a committee at a meeting may be taken without a meeting if written consent thereto, setting forth the action so taken, shall be signed by all of the Directors or by all of the members of the committee. The consent may be contained in a single document or may be contained in more than one document so long as the documents in the aggregate contain the required signatures.

Section 10. Duties and Powers. The Board of Directors shall be vested with the management and direction of the affairs of the Corporation and shall have and exercise all the powers possessed by the Corporation so far as such delegation of authority is not

inconsistent with the laws of the State of New Hampshire, the Articles of Incorporation and these Bylaws.

Section 11. Executive Committee: Other Committees. The Board of Directors, by resolution adopted by a majority of the full Board, may designate from its members an Executive Committee and one or more other committees each of which, subject to the limitations of the laws of the State of New Hampshire, shall have and may exercise all of the authority of the Board to the extent provided in these Bylaws or in any such resolution.

Section 12. Senior Directors. There shall be a class of Directors known as Senior Directors. Senior Directors, if any, shall be elected by the Directors each year at the annual meeting to fill such positions for the ensuing year and until their successors are duly qualified, or until their death, or until they shall resign or be removed by a vote of a majority of the full Board. Senior Directors shall be entitled to attend meetings of the Board of Directors with the privilege of speech, but they shall not vote.

ARTICLE IV OFFICERS

Section 1. Number. The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer, a Secretary and such other officers as the Directors may, from time to time, determine. Two or more offices may be held by the same person.

Section 2. Election. Each year at the annual meeting of the Board of Directors, the Directors shall determine the number of offices to be filled and shall elect officers to fill such positions for the ensuing year and until their successors are duly qualified, or until their death or until they shall resign or be removed in the manner hereinafter provided. Directors from time to time may fill any vacancy that may exist in any office and may elect such other officers as they may determine to be necessary to manage the affairs of the Corporation. Election or appointment of an officer, employee or agent, shall not of itself create contract rights. The Board of Directors may authorize the Corporation to enter into an employment contract with any officer in accordance with applicable law and regulation, but no such contract shall impair the right of the Board of Directors to remove any officer at any time in accordance with Section 3 of this Article IV. All officers shall be sworn to the faithful performance of their duties. The Directors shall require fidelity bonds for all officers with authority to handle funds or sign checks.

Section 3. Removal. The Board of Directors may at any time suspend the right of any officer to perform such officer's duties and may remove any officer with or without cause at any meeting of the Board by vote of a majority of the full Board, whenever, in its judgment, the best interests of the Corporation will be served thereby, but such removal, other than for cause, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Duties and Powers. The duties of certain officers shall be as specified in this Section 4, as otherwise provided in these Bylaws, and as determined from time to time by the Board of Directors or the Chief Executive Officer.

a. Chairman of the Board. The Chairman of the Board, if any, may be designated by the Directors as Chief Executive Officer of the Corporation. The Chairman of the Board, if any, shall preside at all meetings of the Board and shall exercise overall supervision of the officers and affairs of the Corporation.

b. President. The President shall be the Chief Executive Officer of the Corporation if the Chairman is not so designated and shall have the general management of the affairs of the Corporation as far as they are not specifically regulated by the shareholders or the Directors, including the Chairman of the Board, if any. The President shall preside at all the meetings of the Board in the absence of the Chairman or if no Chairman shall have been designated by the Directors.

c. Executive Vice President. A Vice President of the Corporation may be designated by the Board as Executive Vice President and in addition to the duties and powers provided in these Bylaws and otherwise delegated by the Board and the Chief Executive Officer, the Executive Vice President shall have the powers of the President during the absence or disability of the President.

d. Treasurer. The Treasurer shall negotiate loans and receive and disburse all other funds of the Corporation, and, for this purpose, shall have authority to sign checks upon any account of the Corporation in any bank or similar type of institution. The Treasurer shall supervise the keeping of the accounts of the Corporation in books which shall be the property of the Corporation and shall cause to be prepared periodic statements of the financial condition of the Corporation and shall submit such statements to the Board.

e. Secretary. The Secretary of the Corporation shall be a resident of the State of New Hampshire. The Secretary shall be registered with the Secretary of State of the State of New Hampshire as the registered agent. The Secretary shall record the proceedings of the meetings of shareholders and Directors showing the names of the

persons present. The Secretary may give notice of all meetings of the shareholders and the Directors required by these Bylaws.

ARTICLE V INDEMNIFICATION

Section 1. Suits, etc., Other Than by or in the Right of the Corporation. The Corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative or investigative, other than an action by or in the right of the Corporation, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Suits, etc., by or in the Right of the Corporation. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which the person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of

Directors. Such certificates shall be signed by the Chief Executive Officer or by any other officer of the Corporation authorized by the Board of Directors, attested by the Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in the case of a lost or destroyed certificate, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Corporation shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record thereof or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporation. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

Section 3. Restrictions. All certificates shall bear a legend giving appropriate notice of any restrictions on sale or other pertinent matters.

ARTICLE VIII PURCHASE OF SHARES; DISTRIBUTION OF CAPITAL SURPLUS

Subject to the provisions of Article IV of the Articles of Incorporation and any other restrictions imposed by law, the Board of Directors may purchase the shares of the Corporation out of unreserved and unrestricted earned surplus and capital surplus of the Corporation available for that purpose and may distribute to its shareholders out of the capital surplus of the Corporation a portion of its assets, in cash or property.

ARTICLE IX FISCAL YEAR; ANNUAL AUDIT

The fiscal year of the Corporation shall be the calendar year. The Corporation shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Board of Directors.

ARTICLE X
INSPECTION OF BOOKS AND RECORDS BY SHAREHOLDERS

The shareholders of the Corporation shall have such right to inspect and copy the books and records of the Corporation as is provided by the New Hampshire Business Corporation Act, N.H. RSA 293-A, or any successor thereto, exercise of which right shall be subject to compliance with all notice or other requirements set forth therein, and subject to payment of reasonable copying or other fees as may be provided therein.

ARTICLE XI
DIVIDENDS

Subject to the laws of the State of New Hampshire, the Board of Directors may, from time to time, declare, and the Corporation may pay, dividends on its outstanding shares of capital stock.

ARTICLE XII
CORPORATE SEAL

The Board of Directors shall provide a corporate seal upon which the name of the Corporation, the year of incorporation and an emblem may appear.

ARTICLE XIII
AMENDMENTS

These Bylaws may be amended at any time by a majority of the full Board of Directors subject to repeal or change only by a vote of the holders of two-thirds of the shares entitled to vote at a meeting expressly called for that purpose, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

These Bylaws reflect amendments voted by the Board of Directors on September 28, 1984; October 31, 1984; March 7, 1986; April 21, 1995; June 9, 1995; January 12,

2001; June 1, 2001; November 15, 2002; and November 22, 2002; March 22, 2006; and August 7, 2008.

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State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PENNICHUCK WATER WORKS, INC. is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on January 17, 1983. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.



In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 19th day of August, A.D. 2009

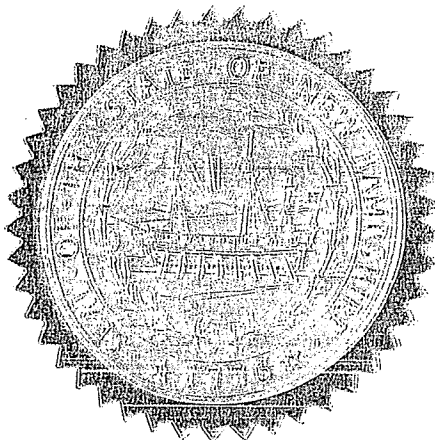
William M. Gardner
Secretary of State

State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PENNICHUCK CORPORATION is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on June 19, 1852. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.



In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 19th day of August, A.D. 2009

A handwritten signature in cursive script, reading "William M. Gardner".

William M. Gardner
Secretary of State

DISCLOSURE OF FINANCE CHARGES
STATE DRINKING WATER REVOLVING LOAN FUND
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Pursuant to New Hampshire RSA Chapter 399-B:2

TO: PENNICHUCK WATER WORKS, INC
DATE: August 27, 2009

Amount of Loan: \$1,300,000

Payable: 6 monthly installment of interest only followed by 240 monthly installments of interest and principal as further provided in the Promissory Note of even date of the Borrower (the "Note")

Finance Charges: 1% until the Interest Rate Change Date (as defined in the Note) then lower of (A) 3.7440% or (B) 80 percent of the established 11 General Obligations Bond Index published during the first week of October before the Interest Rate change Date (including a 2% administrative fee)

Late fee: 5% of each payment will be assessed if not paid within 7 days of its due date.

Above interest is based on the number of days elapsed over a 365 day year, as the case may be.

Recording and filing fees:	\$ 0
Title search fee:	\$ 0
Environmental Site Assessment:	\$ 0
Appraisal:	\$ 0

Acknowledged.

PENNICHUCK WATER WORKS, INC.:
Borrower

By: Donald L. Ware
Donald Ware
President

PENNICHUCK CORPORATION
Guarantor

By: Duane C. Montopoli
Name: Duane C. Montopoli
Title: President & CEO

CLOSING AGENDA

STATE OF NEW HAMPSHIRE

DRINKING WATER STATE REVOLVING LOAN FUND

RE: LOAN TO PENNICHUCK WATER WORKS, INC.
(Pursuant to American Recovery and Reinvestment Act of 2009)

DATE: August 27, 2009

- | | |
|---|-------|
| 1. State of New Hampshire | "SNH" |
| 2. Borrower, Pennichuck Water Works, Inc. | "B" |
| 3. Borrower's Counsel, McLane, Graf, Raulerson, & Middleton | "BC" |
| 4. State's Counsel, David Howe | "DH" |

ITEM:

RESPONSIBLE PARTY

- | | |
|---|-----|
| 1. Certified Articles of Incorporation of Borrower | B |
| 2. Certified Articles of Pennichuck Corporation | B |
| 3. Certified Bylaws of Borrower | B |
| 4. Certified Bylaws of Pennichuck Corporation | B |
| 5. Certificate of Existence of Borrower | B |
| 6. Certificate of Existence of Pennichuck Corporation | B |
| 7. Certificate of Corporate Resolution of Borrower | B |
| 8. Certificate of Resolution of Pennichuck Corporation | B |
| 9. Schedule of Costs (Total Budget) (Exhibit B) | B |
| 10. Loan Agreement | SNH |
| 11. Promissory Note | SNH |
| 12. Guaranty of Pennichuck Corporation | SNH |
| 13. Opinion of Counsel to Borrower and Pennichuck Corporation | B |
| 14. 399-B Disclosure | SNH |

EXHIBIT C

PROMISSORY NOTE

\$1,300,000

Concord, New Hampshire
August 27, 2009

FOR VALUE RECEIVED, Pennichuck Water Works, Inc., a New Hampshire corporation, with a principal place of business at 25 Manchester Street, P.O. Box 1947, Merrimack, NH 03054-1947 (the "Maker"), promises to pay to State of New Hampshire with an address of c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, or its order (the "Payee"), the sum of One Million Three Hundred Thousand Dollars (\$1,300,000) or such lesser amount as shall be disbursed to the Maker by the Payee pursuant to a Loan Agreement of near or even date by and between the Maker and the Payee (the "Loan Agreement"), in lawful money of the United States, together with interest thereon at the annual rate of one percent (1%) until the earlier of (i) the date of substantial completion of the Improvements (as defined in the Loan Agreement) as determined by the Payee or (ii) September 1, 2010 (such earlier date being the "Interest Rate Change Date") and commencing on the Interest Rate Change Date at the lower of (A) the annual rate of Three and Seven Hundred Forty Four thousandths (3.744%) or (B) eighty percent (80%) of the established 11 General Obligations Bond Index published during the first week of the month of October before the Interest Rate Change Date (the interest rate at any given time, the "Applicable Interest Rate"). Capitalized terms used but not defined herein have the meaning given to them in the Loan Agreement.

1. Payments. The interest and principal of this Note shall be paid as follows:

(a) Commencing on the first day of the seventh month after the Interest Rate Change Date, interest only shall be paid in six (6) consecutive monthly installments on the first day of each month.

(b) Commencing with the first day of the thirteenth month after the Interest Rate Change Date, the principal and interest of the Note shall be paid in Two hundred and Forty (240) consecutive equal monthly installments of principal and interest on the first day of each month with the installment amount calculated to amortize the principal balance of the Note over the 240 month period at the Applicable Interest Rate; provided, however, that the Maker shall have the option to elect prior to the first installment payment under paragraph 1(a) to have the interest accruing prior to the Interest Rate Change Date be capitalized and added to the principal amount of the Note rather than paid in the first installment of interest to be paid pursuant to paragraph 1(a); so long as the sum of the principal balance of the Note plus interest accruing prior to the Interest Rate Change Date (such sum being the "Capitalized Amortization Amount") shall not exceed \$1,300,000, and if the sum of unpaid principal plus interest accruing prior to the Interest Rate Change Date exceeds \$1,300,000, such excess amount of interest shall be due and payable with the first payment of interest pursuant to paragraph 1(a) above. If the Maker elects to have such interest capitalized, then the Capitalized Amortization Amount shall be paid in Two

Hundred Forty (240) consecutive equal monthly installments of principal with interest with the installments calculated to amortize the Capitalized Amortization Amount over such 240 month Period at the Applicable Interest Rate. Notwithstanding the foregoing the repayment of principal and interest pursuant to this Note is subject to section 12.1 of the Loan Agreement concerning debt forgiveness.

2. Prepayment. The Maker shall have the right to prepay any or all sums due under this Note without penalty. Prepayments shall be applied first to accrued interest and then to principal. Partial prepayments of principal shall be applied against the outstanding principal balance; provided, however, that the Maker shall continue to make principal payments in the amounts specified above and on the dates specified above, with interest on the outstanding principal balance recomputed accordingly, until the Maker's obligations under this Note are satisfied in full.

3. Due Date; Late Payment. All payments of principal and interest shall be due on or before the due date specified above; provided, however, that the Maker shall not be deemed in default hereunder if payment is received by the Payee on or before 4:00 p.m. of the seventh day following the due date. The Maker agrees to pay a late charge of five percent (5%) of the amount of any payment due under this Note that is not paid within seven (7) days of its due date.

4. Applicable Interest. The Maker expressly agrees that the Applicable Interest Rate specified in this Note shall be the applicable interest rate due (i) on amounts outstanding during the term hereof and (ii) with respect to any amount outstanding on and after the maturity date hereof.

5. Default; Acceleration. The Maker shall be in default of this Note, and all principal and accrued interest thereon shall immediately become due and payable, without notice or demand, upon the occurrence of any of the following events: (a) failure to make prompt payment of any principal or interest installment due hereunder (or within such grace period as may be provided herein), (b) the failure of the Maker to observe or perform any of the other obligations to the Payee under this Note, and the same remains unremedied for a period of thirty (30) days after the date of notice thereof to the Maker by the Payee, (c) the occurrence of an Event of Default under the Loan Agreement or a default under the Guaranty of even date of Pennichuck Corporation (the "Guaranty") or (d) a default in any other obligation of the Maker to the Payee, whether now existing or hereinafter incurred.

If the Maker shall file a petition under any section of the Bankruptcy Code, shall make an assignment for the benefit of creditors, shall have a receiver appointed over its affairs who shall not be discharged within sixty (60) days from the date of appointment, or shall have filed against it a petition under a section of the Bankruptcy Code, or any debtor-creditor act, which petition shall not be dismissed within sixty (60) days of the date of filing of the same, then the balance of principal and interest remaining unpaid on this Note shall become due and payable forthwith without demand or notice.

6. Costs of Collection. If this Note is not paid in full when it becomes due, or if any

payment required hereunder shall not be paid when due, or within such grace period as may be expressly provided herein, the Maker agrees to pay all costs and expenses of collection, including attorneys' fees, regardless of whether legal proceedings have been formally commenced.

7. Waiver of Presentment. The Maker hereby waives presentment, demand for payment, notice of dishonor, and all other notices or demands in connection with the delivery, acceptance, performance, default, or endorsement of this Note.

8. Non-Forfeiture of Rights. It is agreed and understood that the waiver by the Payee of any particular default in the terms of this Note shall not constitute waiver of any further default and that acceptance of any payment after it is due shall not be deemed a waiver of the right to require prompt payment when due on all other sums and that acceptance of any payment after default shall not cure said default or operate as a waiver of any rights of the Payee hereunder unless otherwise agreed in writing.

9. Payments, Notices. All payments due under this Note, and any notice required to be made hereunder shall be directed to the Payee or to the Maker, as the case may be, at the addresses above specified, or such other address as the Payee and the Maker may hereafter direct, in writing.

10. Binding on Successors, Etc. The obligation of this Note shall be binding upon the heirs, successors and assigns of the Maker herein and shall inure to the benefit of the successors or assigns of the Payee herein or any holder hereof. Notwithstanding the preceding sentence, the Maker shall not assign this Note without the prior written consent of the Payee.

11. Gender. Whenever the content so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

12. References. All references herein to the Loan Agreement and the Guaranty shall be construed to refer to such instruments as they may be amended from time to time.

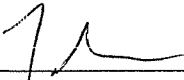
13. Governing Law. The Note has been made in the State of New Hampshire, and the provisions hereof shall be governed by and construed in accordance with the laws of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

14. Jurisdiction. The Maker hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any rights of the Payee under this Note.

15. Guaranty. The Maker's obligations hereunder are guaranteed pursuant to the Guaranty.

EXECUTED as of the day and year first above written.

PENNICHUCK WATER WORKS, INC.

Witness 

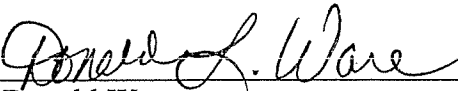
By: 
Donald Ware
President

EXHIBIT D

STATE OF NEW HAMPSHIRE

DRINKING WATER STATE REVOLVING LOAN FUND PROGRAM and AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

SPECIAL ARRA REQUIREMENTS

1. DUNS Number. The Loan Recipient must obtain a Data Universal Numbering System (DUNS) number for the purpose of registering with the Central Contractor Registry (CCR) and reporting data. A DUNS number may be obtained by visiting <http://fedgov.dnb.com/webform/> and providing the following information:

- a. Legal Name
- b. Tradestyle, Doing Business As (DBA), or other name by which your organization is commonly recognized
- c. Physical Address, City, State and Zip Code
- d. Mailing Address (if separate)
- e. Telephone Number
- f. Contact Name
- g. SIC Code (Line of Business)
- h. Number of Employees at your location
- i. Headquarters name and address (if there is a reporting relationship to a parent corporate entity)
- j. Is this a home-based business?

2. CCR Registration. The Loan Recipient must register with the Central Contractor Registry by visiting www.ccr.gov and providing the following information:

- a. DUNS Number
- b. U.S. Federal Tax Identification Number
- c. Point of Contact
- d. Electronic Business Point of Contact
- e. Marketing Partner ID (A Password)

3. Jobs Created/Retained. During the duration of the project, the Loan Recipient must report to the state (NHDES) by the seventh day of each month, the following jobs data for the previous month:

- a. An evaluation of the completion status of the project or activity;
- b. An estimate of the number of jobs created by the project or activity;
- c. The total number of jobs retained by the project or activity;
- d. The total number of jobs created by the project or activity;
- e. Total hours of employees working on the project or activity (subtotal by new-hire and existing);

1 f. Total wages for employees working on the project or activity (subtotal by new-hire
and existing);

2 g. Detailed information on any first tier subcontracts awarded by the prime contractor.

3 The following definitions are provided for the purposes of this section:

4 Contract: means a mutually binding legal relationship obligating one party to provide
materials or services (including construction) and the other to pay for them.

5 First-tier subcontract: means a subcontract awarded directly by a prime contractor whose
6 contract is funded by the Recovery Act.

7 Jobs created: means an estimate of those new positions created and filled, or previously
8 existing unfilled positions that are filled, as a result of funding by the ARRA. This definition
9 covers only prime contractor positions established in the United States. The number shall be
10 expressed as "full-time equivalent" (FTE), calculated cumulatively as all hours worked divided
by the total number of hours in a full-time schedule, as defined by the contractor. For instance,
two full-time employees and one part-time employee working half days would be reported as 2.5
FTE in each month.

11 Jobs retained: means an estimate of those previously existing filled positions that are
12 retained as a result of funding by the ARRA. This definition covers only prime contractor
positions established in the United States. The number shall be expressed as "full-time
13 equivalent" (FTE), calculated cumulatively as all hours worked divided by the total number of
14 hours in a full-time schedule, as defined by the contractor. For instance, two full-time employees
and one part-time employee working half days would be reported as 2.5 FTE in each month.

15 **4. Compensation of Contractor Executives.** Upon award of the construction contract, the
16 Loan Recipient must obtain from the Prime Contractor and provide to the state (NHDES) the
name and total compensation of the five most highly compensated officers of the company if the
17 company received: (1) 80% or more of its annual gross revenues from federal awards or (2)
\$25,000,000 or more in annual gross revenue from federal awards

18 For purposes of this requirement:

19 Total compensation: means the cash and non-cash dollar value earned by the executive
20 during the Contractor's past fiscal year of the following (for more information see 17 CFR
21 229.402(c)(2)) and includes:

22 a. Salary and bonus.

23 b. Awards of stock, stock options, and stock appreciation rights. Use the dollar amount
24 recognized for financial statement reporting purposes with respect to the fiscal year in
accordance with the Statement of Financial Accounting Standards No. 123 (Revised
2004) (FAS 123R), Shared Based Payments.

- c. Earnings for services under non-equity incentive plans. Does not include group life, health, hospitalization or medical reimbursement plans that do not discriminate in favor of executives, and are available generally to all salaried employees.
- d. Change in pension value. This is the change in present value of defined benefit and actuarial pension plans.
- e. Above-market earnings on deferred compensation which is not tax-qualified.
- f. Other compensation. For example, severance, termination payments, value of life insurance paid on behalf of the employee, perquisites or property if the value for the executive exceeds \$10,000.

5. Access to Records. The Comptroller General of the United States, an appropriate Inspector General appointed under section 3 or 8G of the Inspector General Act of 1978 (5 U.S.C. App.), or an authorized representative of either of the foregoing officials, or of the State of New Hampshire shall have access to and the right to:

- a. Examine any of the Loan Recipient's, contractor's or any subcontractor's records that pertain to and involve transactions relating to this contract or a subcontract hereunder; and
- b. Interview any officer or employee regarding such transactions.
- c. The Loan Recipient shall insert paragraphs a. and b. in its contract with the Contractor and require the Contractor to insert paragraphs a. and b. in all subcontracts under this contract.

6. Whistleblower Protection. ARRA Section 1553 establishes whistleblower protections that apply to the Loan Recipient, Contractor, and any sub-contractor pursuant to this agreement. The Loan Recipient shall post notice of employees rights and remedies for whistleblower protections provided under ARRA Section 1553, insert this paragraph in its contract with the Contractor, and cause the Contractor to include the substance of this paragraph in all subcontracts.

7. Limitation on Use of Funds. The Loan Recipient agrees that in compliance with ARRA section 1604, none of the funds appropriated or otherwise made available in this Act may be used by any Loan Recipient for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.

8. Buy American. The Loan Recipient agrees to comply with the Buy American requirements of ARRA Section 1605. Unless this requirement has been waived by a competent federal authority pursuant to 2 CFR 176.140, none of the funds appropriated or otherwise made available by the American Recovery and Reinvestment Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

When using funds appropriated under the ARRA, the definition of "domestic manufactured construction material" requires manufacture in the United States but does not include a requirement with regard to the origin of the components. Production in the United States of the iron or steel used as construction material requires that all manufacturing processes must take place in the United States, except metallurgical processes involving refinement of steel additives.

1 These requirements do not apply to steel or iron used as components or subcomponents of other
2 manufactured construction material. There is no requirement with regard to the origin of
3 components or subcomponents in other manufactured construction material, as long as the
4 manufacture of the construction material occurs in the United States.

5 As used in this “Buy American” term and condition:

6 a. Manufactured good means a good brought to the construction site for incorporation
7 into the building or work that has been:

8 (i) Processed into a specific form and shape; or

9 (ii) Combined with other raw material to create a material that has different
10 properties than the properties of the individual raw materials.

11 b. Public building and public work means a public building of and a public work of a
12 governmental entity. These buildings and works may include, without limitation, bridges,
13 dams, plants, highways, parkways, streets, subways, tunnels, sewers, mains, power lines,
14 pumping stations, heavy generators, railways, airports, terminals, docks, piers, wharves,
15 ways, lighthouses, buoys, jetties, breakwaters, levees, and canals, and the construction,
16 alteration, maintenance, or repair of such buildings and works.

17 c. Steel means an alloy that includes at least 50 percent iron, between .02 and 2 percent
18 carbon, and may include other elements.

19 The “Buy American Act,” 41 U.S.C.A. §10A-10D, exists as separate and additional legal
20 limitation on the use of ARRA federal funds. The Loan Recipient agrees to use only domestic
21 un-manufactured construction material, as required by the Buy American Act.

22 Loan Recipient agrees to include the following provision in each construction contract using
23 ARRA funds:

24 “The Contractor acknowledges to and for the benefit of the State of New Hampshire that it
25 understands the goods and services under this Agreement are being funded with monies made
available by the federal American Recovery and Reinvestment Act of 2009 (ARRA) and such
law contains provisions commonly known as “Buy American,” that requires all of the iron, steel,
and manufactured goods used in the project be produced in the United States (“Buy American
Requirements”) including iron, steel, and manufactured goods provided by the Contractor
pursuant to this Agreement. The Contractor hereby represents and warrants to and for the benefit
of the State that (a) the Contractor has reviewed and understands the Buy American
Requirements, (b) all of the iron, steel, and manufactured goods used in the project funded by
this agreement will be and/or have been produced in the United States in a manner that complies
with the Buy American Requirements, unless a waiver of the requirements has been approved by
federal authorities, and (c) the Contractor will provide any further verified information,
certification or assurance of compliance with this paragraph, or information necessary to support
a waiver of the Buy American Requirements, as may be requested by the State. Notwithstanding
any other provision of the Agreement, any failure to comply with this paragraph by the

1 Contractor shall permit the State to recover as damages any loss, expense or cost (including
2 without limitation attorney's fees) incurred by the State resulting from any such failure
(including without limitation any impairment or loss of funding, whether in whole or in part,
3 from the State or any damages owed to the State)."

4 The Loan Recipient shall require the selected Contractor to provide the following certification
before awarding the bid:

- 5 1. Identification of American-made Iron, Steel, and Manufactured Goods: Consistent with
6 the terms of the bid solicitation and the provisions of ARRA Section 1605, the Contractor
7 certifies that the bid on which this contract is based reflects the Contractor's best, good
8 faith effort to identify domestic sources of iron, steel, and manufactured goods for every
component contained in the bid solicitation where such American-made components are
available on the schedule and consistent with the deadlines prescribed in or required by
the bid solicitation.
- 9 2. Verification of U.S. Production: The Contractor certifies that all components contained
10 in the bid solicitation that are American-made have been so identified, and the Contractor
agrees that it will provide reasonable, sufficient, and timely verification to the State of the
U.S. production of each component so identified.

11 Upon Substantial Completion of the project, the Loan Recipient shall require the Contractor to
12 provide, and the Loan Recipient shall acknowledge, the Buy American Certification attached to
this guidance as Attachment 1.

13 **9. Prevailing Wage Requirement.** The Loan Recipient agrees to comply with the Wage Rate
14 Requirements in Section 1606 of ARRA.

15 In accordance with 2 C.F.R. §176.190, the standard Davis-Bacon contract clause as specified by
16 29 CFR §5.5(a) and set forth below shall be included in the bid package:

17 (9)(a) Minimum wages.

18 9(a)(i) All laborers and mechanics employed or working upon the site of the work will be
19 paid unconditionally and not less often than once a week, and without subsequent
20 deduction or rebate on any account (except such payroll deductions as are permitted by
21 regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)),
the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due
at time of payment computed at rates not less than those contained in the wage
determination of the Secretary of Labor which is attached hereto and made a part hereof,
22 regardless of any contractual relationship which may be alleged to exist between the
contractor and such laborers and mechanics.

23 Contributions made or costs reasonably anticipated for bona fide fringe benefits under
24 section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered
wages paid to such laborers or mechanics, subject to the provisions of paragraph
25 (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than

1 a weekly period (but not less often than quarterly) under plans, funds, or programs which
2 cover the particular weekly period, are deemed to be constructively made or incurred
3 during such weekly period. Such laborers and mechanics shall be paid the appropriate
4 wage rate and fringe benefits on the wage determination for the classification of work
5 actually performed, without regard to skill, except as provided in § 5.5(a)(4). Laborers or
6 mechanics performing work in more than one classification may be compensated at the
7 rate specified for each classification for the time actually worked therein: *Provided*, That
8 the employer's payroll records accurately set forth the time spent in each classification in
9 which work is performed. The wage determination (including any additional
10 classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the
11 Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its
12 subcontractors at the site of the work in a prominent and accessible place where it can be
13 easily seen by the workers.

14 9(a)(ii)(A) The contracting officer shall require that any class of laborers or mechanics,
15 including helpers, which is not listed in the wage determination and which is to be
16 employed under the contract shall be classified in conformance with the wage
17 determination. The contracting officer shall approve an additional classification and
18 wage rate and fringe benefits therefore only when the following criteria have been met:

19 (1) The work to be performed by the classification requested is not performed by
20 a classification in the wage determination; and

21 (2) The classification is utilized in the area by the construction industry; and

22 (3) The proposed wage rate, including any bona fide fringe benefits, bears a
23 reasonable relationship to the wage rates contained in the wage determination.

24 9(a)(ii)(B) If the contractor and the laborers and mechanics to be employed in the
25 classification (if known), or their representatives, and the contracting officer agree on the
classification and wage rate (including the amount designated for fringe benefits where
appropriate), a report of the action taken shall be sent by the contracting officer to the
Administrator of the Wage and Hour Division, Employment Standards Administration,
U.S. Department of Labor, Washington, DC 20210. The Administrator, or an authorized
representative, will approve, modify, or disapprove every additional classification action
within 30 days of receipt and so advise the contracting officer or will notify the
contracting officer within the 30-day period that additional time is necessary.

9(a)(ii)(C) In the event the contractor, the laborers or mechanics to be employed in the
classification or their representatives, and the contracting officer do not agree on the
proposed classification and wage rate (including the amount designated for fringe
benefits, where appropriate), the contracting officer shall refer the questions, including
the views of all interested parties and the recommendation of the contracting officer, to
the Administrator for determination. The Administrator, or an authorized representative,
will issue a determination within 30 days of receipt and so advise the contracting officer
or will notify the contracting officer within the 30-day period that additional time is

necessary.

9(a)(ii)(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii)(B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

9(a)(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

9(a)(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, *Provided*, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

9(b) Withholding. The Loan Recipient shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other State contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the Loan Recipient may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

9(c) Payrolls and basic records.

9(c)(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain

1 records which show that the commitment to provide such benefits is enforceable, that the
2 plan or program is financially responsible, and that the plan or program has been
3 communicated in writing to the laborers or mechanics affected, and records which show
4 the costs anticipated or the actual cost incurred in providing such benefits. Contractors
5 employing apprentices or trainees under approved programs shall maintain written
6 evidence of the registration of apprenticeship programs and certification of trainee
7 programs, the registration of the apprentices and trainees, and the ratios and wage rates
8 prescribed in the applicable programs.

9 9(c)(ii)(A). The contractor shall submit weekly for each week in which any contract
10 work is performed a copy of all payrolls to the Loan Recipient. The Loan Recipient shall
11 forward the payrolls to the State. The payrolls submitted shall set out accurately and
12 completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i),
13 except that full social security numbers and home addresses shall not be included on
14 weekly transmittals. Instead the payrolls shall only need to include an individually
15 identifying number for each employee (e.g., the last four digits of the employee's social
16 security number). The required weekly payroll information may be submitted in any
17 form desired. Optional Form WH-347 is available for this purpose from the Wage and
18 Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its
19 successor site. The prime contractor is responsible for the submission of copies of
20 payrolls by all subcontractors. Contractors and subcontractors shall maintain the full
21 social security number and current address of each covered worker, and shall provide
22 them upon request to the Loan Recipient who shall forward the employee information to
23 the State. If so requested, the Loan Recipient shall forward the payrolls and employee
24 information to the Wage and Hour Division of the Department of Labor for purposes of
25 an investigation or audit of compliance with prevailing wage requirements. It is not a
violation of this section for a prime contractor to require a subcontractor to provide
addresses and social security numbers to the prime contractor for its own records, without
weekly submission to the sponsoring government agency (or the applicant, sponsor, or
owner).

9(c)(2)(ii)(B). Each payroll submitted to the State by the Loan Recipient shall be
accompanied by a "Statement of Compliance," signed by the contractor or subcontractor
or his or her agent who pays or supervises the payment of the persons employed under
the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be
provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate
information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part
5, and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee)
employed on the contract during the payroll period has been paid the full weekly
wages earned, without rebate, either directly or indirectly, and that no deductions
have been made either directly or indirectly from the full wages earned, other than
permissible deductions as set forth in Regulations, 29 CFR part 3;

1 (3) That each laborer or mechanic has been paid not less than the applicable wage
2 rates and fringe benefits or cash equivalents for the classification of work
3 performed, as specified in the applicable wage determination incorporated into the
4 contract.

5 9(c)(2)(ii)(C) The weekly submission of a properly executed certification set forth on the
6 reverse side of Optional Form WH-347 shall satisfy the requirement for submission of
7 the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

8 9(c)(2)(ii)(D) The falsification of any of the above certifications may subject the
9 contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18
10 and section 231 of title 31 of the United States Code or New Hampshire Revised Statutes
11 Annotated Chapter 641.

12 9(c)(2)(iii) The contractor or subcontractor shall make the records required under paragraph
13 (a)(3)(i) of this section available for inspection, copying, or transcription by authorized
14 representatives of the State of New Hampshire or the federal Department of Labor, and shall
15 permit such representatives to interview employees during working hours on the job. If the
16 contractor or subcontractor fails to submit the required records or to make them available, the
17 government agency may, after written notice to the contractor, sponsor, applicant, or owner, take
18 such action as may be necessary to cause the suspension of any further payment, advance, or
19 guarantee of funds. Furthermore, failure to submit the required records upon request or to make
20 such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

21 9(d) Apprentices and trainees--

22 9(d)(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate
23 for the work they performed when they are employed pursuant to and individually registered in a
24 bona fide apprenticeship program registered with the U.S. Department of Labor, Employment
25 and Training Administration, Office of Apprenticeship Training, Employer and Labor Services,
or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in
his or her first 90 days of probationary employment as an apprentice in such an apprenticeship
program, who is not individually registered in the program, but who has been certified by the
Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship
Agency (where appropriate) to be eligible for probationary employment as an apprentice. The
allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be
greater than the ratio permitted to the contractor as to the entire work force under the registered
program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or
otherwise employed as stated above, shall be paid not less than the applicable wage rate on the
wage determination for the classification of work actually performed. In addition, any
apprentice performing work on the job site in excess of the ratio permitted under the registered
program shall be paid not less than the applicable wage rate on the wage determination for the
work actually performed. Where a contractor is performing construction on a project in a
locality other than that in which its program is registered, the ratios and wage rates (expressed in
percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's

1 registered program shall be observed. Every apprentice must be paid at not less than the rate
2 specified in the registered program for the apprentice's level of progress, expressed as a
3 percentage of the journeymen hourly rate specified in the applicable wage determination.
4 Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship
5 program. If the apprenticeship program does not specify fringe benefits, apprentices must be
6 paid the full amount of fringe benefits listed on the wage determination for the applicable
7 classification. If the Administrator determines that a different practice prevails for the applicable
8 apprentice classification, fringes shall be paid in accordance with that determination. In the
9 event the Office of Apprenticeship Training, Employer and Labor Services, or a State
10 Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship
11 program, the contractor will no longer be permitted to utilize apprentices at less than the
12 applicable predetermined rate for the work performed until an acceptable program is approved.

13 9(d)(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at
14 less than the predetermined rate for the work performed unless they are employed pursuant to
15 and individually registered in a program which has received prior approval, evidenced by formal
16 certification by the U.S. Department of Labor, Employment and Training Administration. The
17 ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan
18 approved by the Employment and Training Administration. Every trainee must be paid at not
19 less than the rate specified in the approved program for the trainee's level of progress, expressed
20 as a percentage of the journeyman hourly rate specified in the applicable wage determination.
21 Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program.
22 If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of
23 fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour
24 Division determines that there is an apprenticeship program associated with the corresponding
25 journeyman wage rate on the wage determination which provides for less than full fringe benefits
26 for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and
27 participating in a training plan approved by the Employment and Training Administration shall
28 be paid not less than the applicable wage rate on the wage determination for the classification of
29 work actually performed. In addition, any trainee performing work on the job site in excess of
30 the ratio permitted under the registered program shall be paid not less than the applicable wage
31 rate on the wage determination for the work actually performed. In the event the Employment
32 and Training Administration withdraws approval of a training program, the contractor will no
33 longer be permitted to utilize trainees at less than the applicable predetermined rate for the work
34 performed until an acceptable program is approved.

35 9(d)(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen
under this part shall be in conformity with the equal employment opportunity requirements of
Executive Order 11246, as amended, and 29 CFR part 30.

9(e) Compliance with Copeland Act requirements. The contractor shall comply with the
requirements of 29 CFR part 3, which are incorporated by reference in this contract.

9(f) Subcontracts. The contractor shall insert in any subcontracts the clauses contained in 29
CFR 5.5(a)(1) through (10) and also a clause requiring the subcontractors to include these
clauses in any lower tier subcontracts. The prime contractor shall be responsible for the

1 compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29
CFR 5.5.

2 9(g) Contract termination: debarment. A breach of the contract clauses in 29 CFR 5.5 may be
3 grounds for termination of the contract, and for debarment as a contractor and a subcontractor as
provided in 29 CFR 5.12.

4 9(h) Compliance with Davis-Bacon and Related Act requirements. All rulings and
5 interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are
herein incorporated by reference in this contract.

6 9(i) Disputes concerning labor standards. Disputes arising out of the labor standards provisions
7 of this contract shall not be subject to the general disputes clause of this contract. Such disputes
8 shall be resolved in accordance with the procedures of the federal Department of Labor set forth
in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between
9 the contractor (or any of its subcontractors) and the contracting agency, the U.S. Department of
Labor, or the employees or their representatives.

10 9(j) Certification of eligibility.

11 9(j)(i) By entering into this contract, the contractor certifies that neither it (nor he or she)
12 nor any person or firm who has an interest in the contractor's firm is a person or firm
ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-
13 Bacon Act or 29 CFR 5.12(a)(1).

14 9(j)(ii) No part of this contract shall be subcontracted to any person or firm ineligible for
award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29
15 CFR 5.12(a)(1).

16 9(j)(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code,
17 18 U.S.C. 1001 and New Hampshire RSA Chapter 641.

18 9(k) Contract Work Hours and Safety Standards Act. For any contract in an amount in excess of
\$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety
19 Standards Act. As used in this paragraph, the terms laborers and mechanics include watchmen
and guards.

20 (1) Overtime requirements. No contractor or subcontractor contracting for any part of the
21 contract work which may require or involve the employment of laborers or mechanics
shall require or permit any such laborer or mechanic in any workweek in which he or she
22 is employed on such work to work in excess of forty hours in such workweek unless such
laborer or mechanic receives compensation at a rate not less than one and one-half times
23 the basic rate of pay for all hours worked in excess of forty hours in such workweek.

24 (2) Violation; liability for unpaid wages; liquidated damages. In the event of any
25 violation of the clause set forth in paragraph (b)(1) of this section the contractor and any

1 subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such
2 contractor and subcontractor shall be liable to the United States and the State of New
3 Hampshire, for liquidated damages. Such liquidated damages shall be computed with
4 respect to each individual laborer or mechanic, including watchmen and guards,
5 employed in violation of the clause set forth in paragraph (b)(1) of this section, in the
6 sum of \$10 for each calendar day on which such individual was required or permitted to
7 work in excess of the standard workweek of forty hours without payment of the overtime
8 wages required by the clause set forth in paragraph (b)(1) of this section.

9 (3) Withholding for unpaid wages and liquidated damages. Pennichuck Water Works,
10 Inc. shall upon its own action or upon written request of an authorized representative of
11 the federal Department of Labor withhold or cause to be withheld, from any moneys
12 payable on account of work performed by the contractor or subcontractor under any such
13 contract or any other contract with the same prime contractor, or any other federally-
14 assisted contract subject to the Contract Work Hours and Safety Standards Act, which is
15 held by the same prime contractor, such sums as may be determined to be necessary to
16 satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated
17 damages as provided in the clause set forth in paragraph (b)(2) of this section.

18 (4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the
19 clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring
20 the subcontractors to include these clauses in any lower tier subcontracts. The prime
21 contractor shall be responsible for compliance by any subcontractor or lower tier
22 subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.

23 9(l) In any contract subject only to the Contract Work Hours and Safety Standards Act and not
24 to any of the other statutes cited in § 5.1, the contractor or subcontractor shall maintain payrolls
25 and basic payroll records during the course of the work and shall preserve them for a period of
three years from the completion of the contract for all laborers and mechanics, including guards
and watchmen, working on the contract. Such records shall contain the name and address of
each such employee, social security number, correct classifications, hourly rates of wages paid,
daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the
records to be maintained under this paragraph shall be made available by the contractor or
subcontractor for inspection, copying, or transcription by authorized representatives of the State
of New Hampshire and the federal Department of Labor, and the contractor or subcontractor will
permit such representatives to interview employees during working hours on the job.

ATTACHMENT 1

STATE OF NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES

DRINKING WATER STATE REVOLVING FUND (DWSRF)

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

CERTIFICATION OF ARRA "BUY AMERICAN" PROVISION

Instructions

This certification must be completed and signed by the authorized representative of the Contractor, acknowledged by the authorized representative of the Owner, and submitted to the New Hampshire Department of Environmental Services upon substantial completion of the project.

Project Name: _____

City/Town/Entity: _____

Contractor Name: _____

Contractor Address: _____

Name/Title of Contractor Certifying Representative: _____

I hereby certify on behalf of the above named Contractor,

(please check one of the following and provide documentation as necessary)

☐ That the "Buy American" provisions of Section 1605 of the American Recovery and Reinvestment Act of 2009 (ARRA) have been met and that all iron, steel, and manufactured goods used in the project named above have been manufactured in the United States.

OR

☐ That the "Buy American" provisions of Section 1605 of the American Recovery and Reinvestment Act of 2009 (ARRA) were unable to be met. Not all of the iron, steel, or other manufactured goods used in the project named above have been produced in the United States.

Attach all documentation including EPA approved waivers for all materials and goods that do not meet the Buy American requirements of ARRA.

Signature of Certifying Contractor Representative: _____

Date: _____

Acknowledged by Authorized Owner Representative: _____

Date: _

GUARANTY

THIS GUARANTY is made this 27th day of August, 2009 by Pennichuck Corporation with an address of 25 Manchester Street, P.O. Box 1947, Merrimack NH 03054-1947 ("Guarantor"), to and with the State of New Hampshire with an address of c/o Department of Environmental Services, 29 Hazen Drive, PO Box 95, Concord, New Hampshire 03302-0095 ("State").

WHEREAS, contemporaneously herewith, subject to certain terms and conditions, State has agreed to loan to Pennichuck Water Works, Inc. a New Hampshire corporation ("Borrower"), the principal sum of One Million Three Hundred Thousand Dollars (\$1,300,000), which is to be repaid with interest in accordance with the terms of a certain promissory note of even date issued by Borrower to State (the "Note") in said principal amount;

WHEREAS, Guarantor is the parent company of the Borrower owning 100% of Borrower's common stock;

WHEREAS, State has advised Guarantor that it will not engage in the aforesaid transactions unless, among other things, Guarantor guarantees all obligations of Borrower under the Note, including but not limited to the punctual payment of both principal and interest due and payable, as hereinafter set forth;

WHEREAS, Guarantor is willing and has agreed to guarantee the payment of the aforesaid obligations as hereinafter provided;

WHEREAS, Guarantor will benefit from the loan evidenced by the Note;

NOW THEREFORE, in order to induce State to engage in the aforesaid loan transaction and to make said loan to Borrower and in consideration of the premises stated above and for other good and valuable consideration, the receipt of which is hereby acknowledged, Guarantor agrees as follows:

1. Guarantor hereby unconditionally and irrevocably, guarantees: (i) the due and punctual payment in full (and not merely the collectability) of the principal of the Note and the interest thereon, when due and payable, according to the terms of the Note and the Loan Agreement of even date between State and Borrower (the "Loan Agreement"); (ii) the due and punctual payment in full (and not merely the collectability) of all other sums and charges which may at any time be due and payable in accordance with, or under the terms of the Note; (iii) the accuracy of the representations and warranties made by Borrower in the Loan Agreement, and certain affidavits and certificates delivered by Borrower to State on or about the date hereof and (iv) the due and punctual performance and observance of all of the other terms, covenants and conditions contained in the Note or the Loan Agreement (collectively, the "Guaranteed Obligations").

2. Guarantor expressly agrees that State may, in its sole and absolute discretion,

without notice to or further assent of Guarantor, and without in any way releasing, affecting or impairing the obligations and liabilities of Guarantor, hereunder: (i) waive compliance with, or any default under, or grant any other indulgences with respect to, the Note or the Loan Agreement; (ii) modify, amend or change any provisions of the Note (other than to increase the principal amount due under the Note); (iii) grant extensions or renewals of or with respect to the Note, and/or effect any release, compromise or settlement in connection therewith; (iv) make advances for the purpose of performing any term or covenant contained in the Note with respect to which Borrower shall be in default; (v) assign or otherwise transfer the Note, the Loan Agreement, or this Guaranty, or any interest therein; and (vi) deal in all respects with Borrower as if this Guaranty were not in effect. The obligations of Guarantor under this Guaranty shall be unconditional, irrespective of the genuineness, validity, regularity or enforceability of the Note or any security given therefor or in connection therewith or any other circumstances that might otherwise constitute a legal or equitable discharge of a surety or guarantor.

3. The liability of Guarantor under this Guaranty shall be primary, direct and immediate and not conditional or contingent upon pursuit by State of any remedies it may have against Borrower or any other party with respect to the Note, whether pursuant to the terms thereof or otherwise. No exercise or nonexercise by State of any right given to it under this Guaranty, the Note or the Loan Agreement, and no change, impairment or suspension of any right or remedy of State shall in any way affect any of Guarantor's obligations hereunder or give Guarantor any recourse against State. Without limiting the generality of the foregoing, State shall not be required to make any demand on Borrower and/or any other party, or otherwise pursue to exhaustion its remedies against Borrower or any other party, before, simultaneously with or after, enforcing its rights and remedies hereunder against Guarantor. Any one or more successive and/or concurrent actions may be brought hereon against Guarantor, either in the same action, if any, brought against Borrower and/or any other party, or in separate actions, as often as State, in its sole discretion, may deem advisable.

4. Guarantor hereby expressly waives: (i) presentment and demand for payment and protest of nonpayment; (ii) notice of acceptance of this Guaranty and of presentment, demand and protest; (iii) notice of any default hereunder or under the Note, this Guaranty and the Loan Agreement and of all indulgences; (iv) demand for observance or performance of, and enforcement of, any terms or provisions of this Guaranty, the Note, and the Loan Agreement; and (v) all other notices and demands otherwise required by law that Guarantor may lawfully waive.

5. Any claim against the Borrower or any guarantor to which Guarantor may be or become entitled (including, without limitation, claims by subrogation or otherwise by reason of any payment or performance by Guarantor in satisfaction and discharge, in whole or in part, of his obligations under this Guaranty) shall be and hereby is made subject and subordinate to the prior payment or performance in full of the Guaranteed Obligations. Nothing herein contained shall be construed to give Guarantor any right of subrogation in and to the rights of State under the Note or any instrument or agreement securing the Note until all amounts owing to State under the Note have been paid in full.

In addition to any other security given by Guarantor to State, State is hereby authorized and empowered, at its option, to appropriate and apply to the payment and extinguishment of the

Guaranteed Obligations, at any time after such liability becomes payable, any and all moneys or other property of Guarantor and any proceeds thereof (including proceeds of sales provided for below) now or hereafter in the possession of State for any purpose, including safekeeping or pledge for this or any other liability of Guarantor, and including any balance on deposit or otherwise for the account of, to the credit of, or belonging to Guarantor.

6. Any notice, demand, request or other communication given hereunder or in connection herewith (hereinafter "Notices") shall be deemed sufficient if in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive such Notice at its address first above set forth or at such other address as such party may hereafter designate by Notice given in like fashion. Notices shall be deemed given when mailed.

7. Any payments made by Guarantor under the provisions of this Guaranty shall, if made to State, be made at its address first set forth above, unless some other address is hereafter designated by State.

8. All rights and remedies afforded to State by reason of this Guaranty, the Note and the Loan Agreement, are separate and cumulative and the exercise of one shall not in any way limit or prejudice the exercise of any other such rights or remedies. No delay or omission by State in exercising any such right or remedy shall operate as a waiver thereof. No waiver of any rights and remedies hereunder, and no modification or amendment hereof, shall be deemed made by State unless in writing and duly executed. Any such written waiver shall apply only to the particular instance specified therein and shall not impair the further exercise of such right or remedy or of any other right or remedy of State, and no single or partial exercise of any right or remedy hereunder shall preclude further exercise of any other right or remedy.

9. The obligations of Guarantor to make payment in accordance with the terms of this Guaranty shall not be impaired, modified, changed, released, or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Borrower or its estate in bankruptcy or reorganization resulting from the operation of any present or future provision of federal bankruptcy laws or other statute or from the decision of any court.

10. Guarantor hereby covenants and agrees that Guarantor will, at Guarantor's expense, annually deliver to State within ninety (90) days of the end of each fiscal year audited financial statements of the Guarantor for such fiscal year in form and content satisfactory to State accurately reflecting all changes in net worth for the preceding year.

11. This Guaranty shall remain in full force and effect until State is given written notice of Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Guaranteed Obligations. No such notice shall be effective unless received and acknowledged by an officer of State at its head office or at the branch of State where this Guaranty is given. No such notice shall affect any rights of State or of any affiliate hereunder including, without limitation, the rights set forth in Sections 1, 2, 3, 5, and 8 with respect to Guaranteed Obligations incurred prior to the receipt of such notice or Guaranteed Obligations incurred pursuant to any contract or commitment in existence prior to such receipt. This Guaranty shall continue to be effective or be reinstated,

notwithstanding any such notice, if at any time any payment made or value received with respect to a Guaranteed Obligation is rescinded or must otherwise be returned by State upon the insolvency, bankruptcy or reorganization of Borrower, or otherwise, all as though such payment had not been made or value received.

12. Guarantor agrees that if this Guaranty shall be enforced by suit or otherwise, or if State shall exercise or endeavor to exercise any of its remedies under the Note, the Guarantor will reimburse State, upon demand, for all expenses incurred in connection therewith, including, without limitation, reasonable attorneys' fees.

13. This Guaranty has been made in the State of New Hampshire, and the provisions hereof shall be governed by and construed in accordance with the laws of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

14. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of Guarantor, as the case may be, and the successors and assigns of State. Notwithstanding the preceding sentence, Guarantor shall not be permitted to assign its rights and obligations hereunder without the prior written consent of State.

15. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and /or feminine gender, and the singular number shall include the plural.

16. If more than one person executes this Guaranty or if the Guarantor consists of more than one person or entity, all such persons and entities shall have joint and several liability.


17. Guarantor hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any rights of the State under this Guaranty.

18. All references herein to the Loan Agreement, the Note and this Guaranty shall be deemed to include such instruments as they may be amended from time to time.

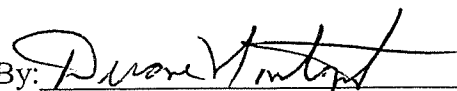
19. If any provision or condition of this Guaranty is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Guaranty.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the day and year first above written.

PENNICHUCK CORPORATION



Witness

By: 
Name: Duane C. Montopoli
Title: President - CEO



McLane, Graf,
Raulerson & Middleton
Professional Association

900 Elm Street | P.O. Box 326 | Manchester, NH 03105-0326
Tel: 603.625.6464 | Fax: 603.625.5650 | www.mclane.com

OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH
WOBURN, MA

August 27, 2009

Department of Environmental Services
State of New Hampshire
29 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

**Re: \$1,300,000 Loan ("Loan") from the State of New Hampshire ("State") to
Pennichuck Water Works, Inc. ("Borrower")**

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 4(f) of the Loan Agreement dated August 27, 2009 (the "Loan Agreement"). Capitalized terms not otherwise defined in this letter are used as defined in the Loan Agreement. This firm acts as counsel to the Borrower and as counsel to Pennichuck Corporation (the "Guarantor"), and we have represented the Borrower in connection with the negotiation and preparation of the Loan Agreement. However, we represent the Borrower and the Guarantor only when requested and in connection with discrete matters, and there exist matters of a legal and factual nature with respect to the Borrower and to the Guarantor as to which we have not been consulted or provided representation.

In preparation of this opinion we have examined (1) the Loan Agreement; (2) the Promissory Note; (3) the Guaranty; (4) the RSA 399-B Disclosure; (5) the Articles of Incorporation and Bylaws of the Borrower; (6) a certificate of the Borrower's existence from the New Hampshire Secretary of State dated August 19, 2009; (7) the Articles of Incorporation and Bylaws of the Guarantor; (8) a certificate of the Guarantor's existence from the New Hampshire Secretary of State dated August 19, 2009; (9) such minutes of the meetings of the Board of Directors of the Borrower as we deemed necessary; (10) such minutes of the meetings of the Board of Directors of the Guarantor as we deemed necessary; (11) the Order of the New Hampshire Public Utilities Commission ("NHPUC") dated April 16, 2009 approving the Loan Agreement transaction; (12) the Secretary's Certificate for Borrower dated August 27, 2009; (13) the Secretary's Certificate for Guarantor dated August 27, 2009; and (14) such other documents and items as we deemed necessary for the purposes of this opinion.

We have discussed the Loan Agreement, the Promissory Note, and the Guaranty (collectively, the "Agreements") and the representations and warranties by the Borrower and the

Guarantor contained therein with the Senior Vice President, Operations of the Guarantor and the President of the Borrower (Mr. Donald L. Ware) and relied, with respect to matters of fact, upon information furnished by the Borrower and the Guarantor. We have assumed without independent verification that the information furnished by the Borrower and the Guarantor is accurate, although nothing has come to our attention which would suggest that any such certificate, warranty, representation, or information is inaccurate or incomplete in any material respect. We have not conducted any independent outside review of agreements, contracts, indentures, instruments, orders, judgments, rules, regulations, writs, injunctions or decrees by which the Borrower or the Guarantor any of their property may be bound, nor, except as noted above, have we made any outside independent investigation as to the existence of actions, suits, investigations or proceedings, if any, pending or threatened against the Borrower or the Guarantor. We have not generally reviewed the financial books or records of the Borrower (or any of its subsidiaries), including the Guarantor and, unless expressly stated, do not express any opinion as to financial or tax matters or compliance with tax laws.

In all our examinations, we have assumed the genuineness of all signatures, other than the signatures of the Borrower and the Guarantor on the Agreements, the authenticity of all documents purporting to be originals, and the conformity to the originals of all documents submitted to us as conformed or photostatic copies, which facts we have not independently verified. We have assumed, and we have no information to the contrary, that the minutes of the meetings of the Board of Directors of the Borrower and of the Guarantor accurately reflect the actions taken at those meetings, that the meetings were duly called, that a quorum was present in each case, and, where action at those meetings related to the offer or issuance of capital stock, that the offer or issuance was carried out in the manner authorized or directed by the minutes. We have also assumed, and we have no information to the contrary, that the information contained in the documents we have reviewed is accurate, and we have not independently verified such information.

We have also assumed that the transactions contemplated by the Loan Agreement have been duly authorized by each of the parties to it other than the Borrower and Guarantor, that each of the Agreements has been duly executed and delivered by each of the other parties to them, that each of the other parties has the power and authority to execute and deliver each of the Agreements, and that each constitutes a legal, valid and binding agreement of each of the other parties, subject, if at all, to the Enforceability Qualification defined below.

We are members of the Bar of the State of New Hampshire, and we express no opinion as to matters involving the laws of any jurisdiction other than the State of New Hampshire and the United States of America. This opinion is limited to the effect of the laws (including administrative and judicial interpretations) of the State of New Hampshire and the United States, as they existed on the date of this letter and to the facts bearing upon the opinions below as they existed on the date of this letter, and we expressly disclaim any obligation or undertaking to update or modify the opinions below as a consequence of any future changes in the applicable laws or in the facts bearing upon those opinions.

Based on the foregoing, we are of the opinion that:

1. The Borrower is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of New Hampshire.
2. The Borrower has all requisite power and authority to own and operate its properties and to carry on its business as, to our knowledge, it is now conducted and presently proposed to be conducted, to enter into the Agreements to which it is a party, and to perform its obligations under the Agreements to which it is a party.
3. Each of the Agreements to which the Borrower is a party has been duly authorized by all necessary corporate action on the part of the Borrower, has been duly executed and delivered by the Borrower, and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to the General Qualifications as defined in the American Bar Association Section of Business Legal Opinion Accord (1991) (the "Enforceability Qualification").
4. The Guarantor is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of New Hampshire.
5. The Guarantor has all requisite power and authority to own and operate its properties and to carry on its business as, to our knowledge, it is now conducted and presently proposed to be conducted, to enter into the Agreements to which it is a party, and to perform its obligations under the Agreements to which it is a party.
6. Each of the Agreements to which the Guarantor is a party has been duly authorized by all necessary corporate action on the part of the Guarantor, has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, subject to the Enforceability Qualification.
7. Neither the execution, delivery or performance of the Agreements to which the Borrower is a party, the consummation of the transactions contemplated in the Agreements to which the Borrower is a party, nor the fulfillment of their terms by the Borrower, will (a) conflict with or violate the Articles of Incorporation or the Bylaws of the Borrower, as presently in effect, or (b), to our knowledge, conflict with, violate, constitute a default under, or result in the creation or imposition of any lien upon any of the properties or assets of the Borrower under the terms of any indenture, mortgage, deed of trust, credit agreement, preferred stock agreement, franchise or other agreement or instrument to which the Borrower is now a party or by which the Borrower is bound by succession or otherwise.
8. Neither the execution, delivery or performance of the Agreements to which the Guarantor is a party, the consummation of the transactions contemplated in the Agreements to which the Guarantor is a party, nor the fulfillment of their terms by the Borrower will (a) conflict

with or violate the Articles of Incorporation or the Bylaws of the Borrower, as presently in effect, or (b), to our knowledge, conflict with, violate, constitute a default under, or result in the creation or imposition of any lien upon any of the properties or assets of the Guarantor under the terms of any indenture, mortgage, deed of trust, credit agreement, preferred stock agreement, franchise or other agreement or instrument to which the Guarantor is now a party or by which the Guarantor is bound by succession or otherwise.

9. To our knowledge, there is no action at law, suit in equity or other proceeding or investigation in any court or by or before any other governmental or public authority or agency or any arbitrator against or affecting, or threatened against, the Borrower or the Guarantor, and which, either individually or in the aggregate, if determined adversely, would materially and adversely affect the business, prospects, profits, properties, or condition of the Borrower or the Guarantor, except litigation relating to the eminent domain efforts of the City of Nashua or other towns served by Guarantor or its subsidiaries. On July 25, 2008 the NHPUC issued an order indicating that the City of Nashua has the authority to exercise such eminent domain powers, which is on appeal to the New Hampshire Supreme Court.

10. All necessary approvals from the NHPUC for the execution, delivery and performance of the Agreements have been obtained, and the Borrower's and the Guarantor's entrance to and performance of their respective obligations under the Agreements do not require any consent or approval of, or withholding of objection by, any other governmental body or regulatory authority, federal or state.

The above opinions are solely for the benefit of the party to whom this letter is addressed in connection with the Loan of the Borrower pursuant to the Loan Agreement, and this letter is not to be quoted or otherwise referred to nor furnished to any other person, without our prior written consent. No person other than you shall be entitled to rely on the opinions expressed in this letter:

McLANE, GRAF, RAULERSON & MIDDLETON
PROFESSIONAL ASSOCIATION

By:  _____

SECRETARY'S CERTIFICATE

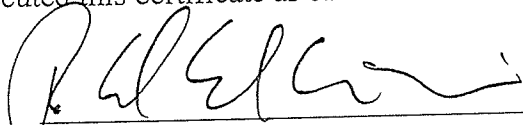
PENNICHUCK WATER WORKS, INC.

I, Roland Olivier, being the duly elected Secretary of PENNICHUCK WATER WORKS, INC., a New Hampshire corporation (the "Corporation"), hereby certify that:

- (i) Attached hereto as Exhibit A is a true and correct copy of a certain resolution of the Board of Directors of the Corporation duly adopted at a meeting held on April 3, 2009 at which a quorum was present, and that such resolution is in conformity with the Articles of Incorporation and the Bylaws of the Corporation (each as amended to date) and such resolution has not been rescinded or modified, and is in full force and effect, as of the date hereof.
- (ii) Attached hereto as Exhibit B is a true and correct copy of the Articles of Incorporation of the Corporation in full force an effect as of the date hereof.
- (iii) Attached hereto as Exhibit C is a true and correct copy of the Bylaws of the Corporation in full force an effect as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of the date set forth below.

Dated: August 27, 2009



Roland Olivier, Secretary

EXHIBIT A

- VOTED: To authorize and approve an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to One Million Three Hundred Thousand Dollars (\$1,300,000) at the current SRF rate of interest (currently 4.208%) with 50% of the borrowed principle being forgiven over the life of the loan for the purpose of funding the replacement or cleaning and lining of about 8,200 lineal feet of water main in the French Hill area of Nashua, New Hampshire.
- VOTED: To authorize and approve an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to Ninety-Eight Thousand Dollars (\$98,000) at the current SRF rate of interest (currently 4.208%) with 50% of the borrowed principle being forgiven over the life of the loan for the purpose of funding the replacement of a 20,000 gallon atmospheric tank at the Corporation's Glenridge Community Water System in Derry, New Hampshire.
- VOTED: To authorize and approve an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to Four Hundred Fifty Thousand Dollars (\$450,000) at the current SRF rate of interest (currently 4.208%) with 50% of the borrowed principle being forgiven over the life of the loan for the purpose of funding the construction of an interconnection between the Milford water system and the Corporation's Ashley Commons Community Water System in Milford, New Hampshire.
- VOTED: That John J. Boisvert, Donald L. Ware and Thomas C. Leonard are, and each of them hereby is, authorized to act as Pennichuck Water Works, Inc.'s representative for purposes of executing and administering the above referenced loan agreements and/or executing any other related documents, certificates, and undertakings on behalf of the Corporation.

EXHIBIT B

STATE OF NEW HAMPSHIRE

Filing fee: \$ 25.00
+ License fee: \$ _____ (See Section 136 II
Total fees \$ _____ & IV and Note 7)
Use black print or type.
Leave 1" margins both sides.

Form No. 16-A
RSA 293-A:59,
61 and 64

RESTATED
ARTICLES OF INCORPORATION
INCLUDING DESIGNATED AMENDMENT(S)
OF
Pennichuck Water Company, Inc.

FILED

JUL 17 1985

NEW HAMPSHIRE
SECRETARY OF STATE

PURSUANT TO THE PROVISIONS OF SECTIONS 59, 61 and 64 OF THE NEW HAMPSHIRE BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION, PURSUANT TO A RESOLUTION DULY ADOPTED BY ITS BOARD OF DIRECTORS', HEREBY ADOPTS THE FOLLOWING RESTATED ARTICLES OF INCORPORATION, INCLUDING DESIGNATED AMENDMENT(S) ADOPTED BY ITS SHAREHOLDERS:

(Here insert the Restated Articles of Incorporation, as amended including the Designated Amendments.)

See the attached Restated Articles
of Incorporation.

[Attach additional sheet(s) for more space.
Insert corporate name at top of each page.]

RESTATED ARTICLES OF INCORPORATION
INCLUDING DESIGNATED AMENDMENT(S)
OF Pennichuck Water Company, Inc.

Form No. 16-A
(Cont.)

Except for the Designated Amendment(s) to Article(s) (Note 1) _____
Article I

the Restated Articles of Incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as previously amended, and the Restated Articles of Incorporation together with the Amendment(s) designated herein supersede the original Articles of Incorporation and all amendments to the Articles.

ARTICLES PURSUANT TO SECTION 61 OF THE NEW HAMPSHIRE BUSINESS CORPORATION ACT RELATIVE TO AMENDMENT TO ARTICLES OF INCORPORATION:

FIRST: The designated amendments to the Articles of Incorporation above set forth were adopted by the shareholders (Note 2) of the corporation on May 3, 19 85, in the manner prescribed by the New Hampshire Business Corporation Act.

SECOND: The number of shares of the corporation outstanding at the time of such adoption was 300; and the number of shares entitled to vote thereon was 300.

THIRD: The designation and number of outstanding shares of each class entitled to vote thereon as a class were as follows:
(Note 3)

<u>Class</u>	<u>Number of Shares</u>
Common	300

FOURTH: The number of shares voted for such amendment was 300; and the number of shares voted against such amendment was none (Note 3)

RESTATED ARTICLES OF INCORPORATION
INCLUDING DESIGNATED AMENDMENT(S)
OF Pennichuck Water Company, Inc.

82 99

Form No. 16-A
(Cont.)

200

FIFTH: The number of shares of each class entitled to vote thereon as a class voted for and against such amendment, respectively, was: (Note 3)

<u>Class</u>	<u>Number of Shares voted</u>	
	<u>For</u>	<u>Against</u>

Not Applicable

SIXTH: The manner in which any exchange, reclassification, or cancellation of issued shares provided for in the amendment shall be effected is as follows: (Note 4)

Not Applicable

SEVENTH: The manner in which such amendment effects a change in the amount of stated capital, and the amount of stated capital, expressed in dollars, as changed by such amendment, are as follows: (Note 3)

Not Applicable

Dated as of July 7, 19 85

Pennichuck Water Company, Inc. (Note 5)

By  (Note 6)
Its President Maurice L. Arel

and  (Note 6)
Its Secretary James L. Sullivan, Jr.

Mail fee and DUPLICATE ORIGINALS (ORIGINAL SIGNATURES ON BOTH) to:
Secretary of State, Rm. 204, State House, Concord, NH 03301-4989

RESTATED
ARTICLES OF INCORPORATION OF
PENNICHUCK WATER WORKS, INC.

The following Articles of Incorporation are adopted pursuant to the provisions of the New Hampshire Business Corporation Act (RSA Chapter 293-A):

ARTICLE I

The name of the Corporation is PENNICHUCK WATER WORKS, INC.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The principal purpose for which the Corporation is organized is:

To engage in the general business of supplying water for the use of the City of Nashua, and the Town of Merrimack, their inhabitants, and other purposes and to supply water to such other persons and for such other uses as the Corporation may from time to time determine.

The Corporation is further empowered to transact any and all lawful business for which corporations may be incorporated under RSA Chapter 293-A.

ARTICLE IV

The aggregate number of shares which the Corporation shall have authority to issue is Twenty-Five Thousand Two Hundred and Eighty (25,280) shares, divided into Three Hundred (300) shares of Common Stock, having no par value, Twelve Thousand Four Hundred and Eighty (12,480) shares of Class A Preferred Stock, having a par value of One Hundred Dollars (\$100) per share and Twelve Thousand Five Hundred (12,500) shares of Class B Preferred Stock, without par value. The Common Stock and the Preferred Stock shall have the designations, preferences, voting powers, qualifications, limitations, restrictions, and the special or relative rights described in this Article. The Board of Directors shall have authority to fix by resolution any designations, preferences, voting powers, qualifications, limitations, restrictions, and special or relative rights of any class or series of Preferred Stock that are desired but which have not been fixed herein:

1. Shares of Preferred Stock authorized and issued from time to time may be divided into and issued in classes and series as herein provided, each of such classes and series to be distinctly designated. All shares of Preferred Stock of all series of the same class shall be of equal rank, and all shares of any particular series of the Preferred Stock shall be identical except as to the date or dates from which dividends thereon shall be cumulative as provided in paragraph 2 hereof. The shares of different classes or series of Preferred Stock, subject to any applicable provision of law, may vary as to the following terms, which shall be fixed in the case of each such class or series, at any time prior to the issuance of the shares thereof, in the manner provided in paragraph 7 hereof:

- a. The annual dividend rate (within such limits as shall be permitted by law) for the particular class or series, the date or dates on which dividends shall be paid, and the date from which dividends shall be cumulative on all shares of such class or series issued prior to the record date for the first dividend for such class or series;
- b. The redemption price or prices, if any, for the particular class or series;
- c. The amount or amounts per share for the particular class or series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, which may be different for voluntary or involuntary liquidation, dissolution or winding up;
- d. The terms and amount of any sinking fund provided for the purchase or redemption of shares of the particular class or series; and
- e. The conversion, participating, voting or other special rights, and the qualifications, limitations or restrictions thereof, if any, of the particular class or series.

2. Unless the Board of Directors shall otherwise fix the terms of any class or series of Preferred Stock pursuant to paragraph 7 hereof, the holders of each class or series of the Preferred Stock at the time outstanding shall be entitled to receive, but only when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate and on the date or dates for the particular class or series fixed therefor as herein provided, to shareholders of record on the date

or dates, not exceeding forty (40) days preceding such dividend payment date or dates, fixed for the purpose by the Board of Directors. No dividends shall be declared on any series in a particular class of the Preferred Stock in respect of any dividend period unless there shall likewise be declared on all shares of all series in said class of the Preferred Stock at the time outstanding, like proportionate dividends, ratably, in proportion to the respective annual dividend rates fixed therefor, in respect of the same dividend period, to the extent that such shares are entitled to receive dividends for such dividend period. Unless the Board of Directors shall otherwise fix the terms of any class or series of Preferred Stock pursuant to paragraph 7 hereof, the dividends on shares of all classes and series of the Preferred Stock shall be cumulative. In the case of all shares of each particular class or series entitled to cumulative dividends, the dividends on shares of such class or series shall be cumulative:

- a. If issued prior to the record date for the first dividend on the shares of such class or series, then from the date for the particular class or series fixed therefor as herein provided;
- b. If issued during the period commencing immediately after a record date for a dividend and terminating at the close of the payment date for such dividend, then from such dividend payment date; and
- c. Otherwise from the dividend payment date next preceding the date of issue of such shares;

so that unless dividends on all outstanding shares of each such class or series of the Preferred Stock, at the annual dividend rate and from the dates for accumulation thereof fixed as herein provided, shall have been paid for all past dividend periods, but without interest on cumulative dividends, no dividends shall be paid or declared and no other distribution shall be made on the Common Stock, and no Common Stock shall be purchased or otherwise acquired for value by the Corporation. The holders of the Preferred Stock of any class or series shall not be entitled to receive any dividends thereon other than the dividends referred to in this paragraph 2.

3. Unless the Board of Directors shall otherwise fix the terms of any class or series of Preferred Stock pursuant to paragraph 7 hereof, the Corporation, by action of its Board of Directors, may redeem the whole or any part of any class or series of the Preferred Stock, at any time or from time to time, at the redemption price of the shares of the particular class or series fixed therefor as herein provided, together with a sum in the case of each share of each class or series so to be redeemed, computed at

the annual dividend rate for the class or series of which the particular share is a part from the date from which dividends on such share became cumulative to the date fixed for such redemption, less the aggregate of the dividends theretofore or on such redemption date paid thereon or declared and set aside for payment thereon. Notice of every such redemption shall be given by publication at least once in a daily newspaper printed in the English language and of general circulation in the City of Nashua, New Hampshire, or Boston, Massachusetts, the first publication in such newspaper to be at least thirty (30) days and not more than ninety (90) days prior to the date fixed for such redemption. At least thirty (30) days' and not more than ninety (90) days' previous notice of every such redemption shall also be mailed to the holders of record of the shares of the Preferred Stock so to be redeemed, at their respective addresses as the same shall appear on the books of the Corporation; but either or both of such requirements for notice by publication and notice by mailing may be waived by the holders of the shares to be redeemed and, in any event, no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of the Preferred Stock so to be redeemed. In case of the redemption of a part only of any class or series of the Preferred Stock at the time outstanding, the Corporation shall select by lot or pro rata, in such manner as the Board of Directors may determine, the shares so to be redeemed. The Board of Directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which the shares of the Preferred Stock shall be redeemed from time to time. If such notice of redemption shall have been duly given by publication, and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered by cancellation, from and after the date fixed for redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called for redemption shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon redemption thereof, without interest; provided, however, that the Corporation may, after giving notice by publication of any such redemption as hereinbefore provided or after giving to the bank or trust company hereinafter referred to irrevocable authorization to give such notice by publication, and, at any time prior to the redemption date specified in such notice, deposit in trust, for the account of the holders of

the shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United States of America or of the State of New Hampshire or Commonwealth of Massachusetts, doing business in the City of Nashua, New Hampshire, or the City of Boston, Massachusetts, having capital, surplus and undivided profits aggregating at least \$10,000,000, designated in such notice of redemption and upon such deposit in trust, all shares with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive, out of the funds so deposited in trust, from and after the date of such deposit, the amount payable upon the redemption thereof, without interest, provided further that notice of such right shall be included in the notice of redemption hereinabove provided for. Nothing herein contained shall limit any legal right of the Corporation to purchase or otherwise acquire any shares of the Preferred Stock at not exceeding the price at which the same may be redeemed. All or any shares of the Preferred Stock at any time redeemed, purchased or acquired by the Corporation may thereafter, in the discretion of the Board of Directors, be reissued or otherwise disposed of at any time or from time to time to the extent and in the manner now or hereafter permitted by law, subject, however, to the limitations imposed by the terms of any particular class or series of the Preferred Stock fixed in the manner provided in paragraph 7 hereof.

4. Before any amount shall be paid to, or any assets distributed among, the holders of the Common Stock upon any liquidation, dissolution or winding up of the Corporation, and after paying or providing for the payment of all creditors of the Corporation, the holders of each class or series of the Preferred Stock at the time outstanding shall be entitled to be paid in cash the amount for the particular class or series fixed therefor as herein provided, together with a sum in the case of each share of each class or series entitled to receive cumulative dividends, computed at the annual dividend rate for the class or series of which the particular share is a part, from the date from which dividends on such share became cumulative to the date fixed for the payment of such distributive amount, less the aggregate of the dividends theretofore or on such date paid thereon or declared and set aside for payment thereon; but no payments on account of such distributive amounts shall be made to the holders of any series of the Preferred Stock unless there shall likewise be paid at the same time to the holders of each other series of the same class of the Preferred Stock at the time outstanding like proportionate distributive amounts, ratably, in proportion to the full distributive amounts to which they are respectively entitled as herein provided. Each class of stock shall be entitled to receive

such payments on the basis of the relative seniority of such class with respect to each other class. The holders of each class or series of Preferred Stock shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the Corporation other than the amounts referred to in this paragraph. Neither the consolidation or merger of the Corporation with or into any other corporation or corporations, nor the sale or transfer by the Corporation of all or any part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the Corporation for the purposes of this paragraph.

5. Whenever the full dividends on all classes or series of the Preferred Stock at the time outstanding for all past dividend periods shall have been paid or declared and set apart for payment, then such dividends (payable in cash, stock or otherwise), as may be determined by the Board of Directors may be declared and paid on the Common Stock, but only out of funds legally available for the payment of such dividends.

6. In the event of any liquidation, dissolution or winding up of the Corporation, all assets and funds of the Corporation remaining after paying or providing for the payment of all creditors of the Corporation and after paying or providing for the payment to the holders of shares of all classes or series of the Preferred Stock of the full distributive amounts to which they are respectively entitled, as herein provided, shall be divided among and paid to the holders of the Common Stock according to their respective shares.

7. The Board of Directors may, at any time or from time to time, fix the amount of any class or series of Preferred Stock to be issued and the designations, preferences, voting powers, qualifications, limitations, restrictions and special or relative rights thereof, which designations, preferences, voting powers, qualifications, limitations, restrictions and special or relative rights may vary from class to class or series to series, by the vote of a majority of the members of the full Board of Directors.

8. So long as any shares of the Preferred Stock of any class or series are outstanding, the Corporation shall not pay any dividends on or make any other distribution to the holders of shares of its Common Stock if after giving effect to such payment or distribution the capital of the Corporation represented by its Common Stock together with its surplus as then stated on its books of accounts shall in the aggregate be less than the involuntary liquidating value of its then outstanding Preferred Stock.

9. Except as the Board of Directors shall otherwise fix the rights of any class or series of Preferred Stock pursuant to paragraph 7 hereof, no holder of shares of any class or series of the Preferred Stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class, series or kind whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

10. At all meetings of the shareholders of the Corporation the holders of Common Stock shall be entitled to one vote for each share of Common Stock held by them respectively except as herein otherwise expressly provided. The holders of the Preferred Stock shall have no right to vote and shall not be entitled to notice of any meeting of shareholders of the Corporation nor to participate in any such meeting except (i) as the Board of Directors shall otherwise fix in determining the voting powers and rights of any class or series of Preferred Stock pursuant to paragraph 7 hereof, or (ii) for those purposes, if any, for which said rights cannot be denied or waived under some mandatory provision of law which shall be controlling. The Corporation may merge or consolidate with or into any other corporation or corporations or sell all, or substantially all, of its property and assets, with or without the goodwill, only if authorized by vote of the holders of two-thirds of the shares entitled to vote, unless any class of Preferred Stock is entitled to vote as a class, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each class entitled to vote as a class and of the total shares entitled to vote, at a meeting expressly called for that purpose. Except when some mandatory provision of law shall be controlling and except as the voting rights of any class or series of the Preferred Stock shall otherwise be fixed by the Board of Directors pursuant to paragraph 7 hereof, whenever shares of two or more class or series of the Preferred Stock are outstanding, no particular class or series of the Preferred Stock shall be entitled to vote as a separate class or series on any matter and all shares of the Preferred Stock of all classes and series shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the Corporation by classes may now or hereafter be required.

11. From time to time, and without limitation of other rights and powers of the Corporation as provided by law or as provided herein, the Corporation may reclassify its capital stock and may create or authorize one or more classes or kinds of stock ranking prior to or on a parity with or subordinate to the Preferred Stock or may increase the authorized amount of the Preferred Stock or of the Common Stock or of any other class of stock of the

Corporation or may amend, alter, change or repeal any of the rights, privileges, terms and conditions of any class or series of Preferred Stock then outstanding or of the Common Stock or of any other class of stock of the Corporation, provided that the rights, privileges, terms and conditions of the Common Stock shall not be subject to amendment, alteration, change or repeal without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of a majority of the total number of shares of the Common Stock then outstanding; and provided that any consents or limitations imposed by the terms of any particular class or series of the Preferred Stock fixed by the Board of Directors pursuant to paragraph 7 hereof shall have been obtained or satisfied.

12. Notice of any meeting of shareholders of the Common Stock of the Corporation, or of the holders of any class or series of Preferred Stock, required or authorized hereunder or by law, setting forth the purpose or purposes of such meeting, shall be mailed by the Corporation, in the manner provided in the Corporation's bylaws. Any action authorized to be taken at a meeting called for that purpose in accordance with the provisions of this paragraph 12 may be taken either at a special meeting, or at any regular or annual meeting provided that notice of such proposed action is included in the notice of such regular or annual meeting. Except where some mandatory provision of law shall be controlling, no other, longer or additional notice need be given of any such meeting and all holders of shares of stock of the Corporation, by becoming such, hereby consent to the holding of any such meeting upon notice given as hereinbefore provided and hereby waive, to the full extent permitted by law any right to require the giving of or to receive any such other, longer or additional notice.

13. The Corporation may, at any time and from time to time, issue and dispose of any of the authorized and unissued shares of the Preferred Stock and Common Stock for such consideration as may be fixed by the Board of Directors, subject to any provisions of law then applicable, and subject to the provisions of any resolutions of the shareholders of the Corporation relating to the issue and disposition of such shares.

ARTICLE V

Subject to any restrictions imposed by law, the Board of Directors may purchase the shares of the Corporation out of unreserved and unrestricted earned surplus and capital surplus of the corporation available for that purpose and may distribute to its shareholders out of the capital surplus of the Corporation a portion of its assets, in cash or property.

EXHIBIT C

BYLAWS OF PENNICHUCK WATER WORKS, INC.

ARTICLE I

PRINCIPAL OFFICE

The principal office of the Corporation shall be at Nashua in Hillsborough County in the State of New Hampshire.

ARTICLE II

SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the principal office of the Corporation or at such place within or without the State of New Hampshire as the Board of Directors may designate.

Section 2. Annual Meetings. A meeting of the shareholders of the Corporation for the election of Directors and for the transaction of any other business of the Corporation shall be held annually in the month of April, at such time and on such date as the Board of Directors may designate.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the laws of the State of New Hampshire, may be called at any time by the Chairman of the Board, the President or a majority of the Board of Directors and shall be called upon the written request of the holders of not less than one-tenth of all the outstanding capital stock of the Corporation entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered at the principal office of the Corporation addressed to the Chairman of the Board, the President or the Secretary not less than sixty days before the date of the meeting.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the President, the Secretary or the officers or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books or records of the Corporation as of the record date prescribed in Section 5 of this Article II, with postage thereon prepaid. If a shareholder be present at a meeting, or in writing waives notice thereof before or after the meeting, notice of such meeting to such shareholder shall be unnecessary.

Section 5. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of, or to vote at, any meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purposes, the Board of Directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than fifty days and, in case of a meeting of shareholders, not less than ten days prior to the meeting or other date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof.

Section 6. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. In the absence of a quorum at any meeting, or any adjournment thereof, the shareholders present, in person or by proxy, at such meeting shall have the power to adjourn the meeting from time to time, without further notice, until shareholders holding the requisite number of shares shall be so present. The shareholders present, in person or by proxy, at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 7. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or his duly authorized attorney-in-fact. Any proxy purporting on its face to have been executed by an attorney-in-fact for a shareholder, unless contested prior to its being voted, shall be conclusively presumed to have been duly authorized. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the Board of Directors. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy.

Section 8. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation, if a majority of the shares entitled to vote for the election of Directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 9. Voting of Shares in the Name of Two or More Persons. When ownership of shares of stock stands in the name of two or more persons, in the absence of written directions to the Corporation to the

contrary, at any meeting of the shareholders of the Corporation any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such shares and present in person or by proxy at such meeting, but no votes shall be cast for such shares if a majority cannot agree.

Section 10. Voting. Every shareholder entitled to vote at any meeting shall be entitled to cast one vote, in person or by proxy, for each share of stock held by the shareholder. Where title to a share or shares is held by two or more shareholders, such shares shall be voted at a meeting only if all such shareholders are present in person or by proxy and are in agreement as to how such shares shall be voted. Unless otherwise provided by law or in the Corporation's Articles of Incorporation or these Bylaws, a majority of votes cast by shareholders shall be determinative. An authorization of the shareholders for the sale, lease, exchange or other disposition of all of the property and assets, with or without the good will of the Corporation, not in the usual and regular course of business, shall require the affirmative vote of the holders of a two-thirds majority of the shares of the Corporation entitled to vote.

Section 11. Inspectors of Election. In advance of any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment thereof. The number of inspectors shall be either one or three. If the Board of Directors so appoints either one or three such inspectors, that appointment shall not be altered at the meeting. If inspectors of election are not so appointed, the Chairman of the Board or the President may, and on the request of a majority of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of such votes shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting or at the meeting by the Chairman of the Board or the President.

The duties of such inspectors shall include: determining the total outstanding number of shares of stock and the voting power of each share; the shares of stock represented at the meeting; the existence of a quorum; and the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III

THE BOARD OF DIRECTORS

Section 1. Number. The Board of Directors shall consist of a number of persons, not less than three nor more than thirteen, to be fixed from time to time by the Board of Directors.

Section 2. Election. Directors shall be elected at the annual meeting of shareholders by a majority of those present, or represented by proxy, and voting. Any vacancy occurring in the Board of Directors in between annual meetings of the shareholders, due to death, resignation or any other cause including an increase in the number of Directors, may be filled by the affirmative vote of a majority of the remaining Directors although less than a quorum of the Board of Directors. The remaining Directors may appoint a person to fill the vacancy until the next annual meeting of shareholders. All Directors shall be sworn to the faithful performance of their duties.

Section 3. Qualification. No Director shall be required to be a shareholder of the Corporation. The President shall be a member of the Board of Directors. Directors shall hold office until their successors in office have been chosen and qualified.

Section 4. Removal. Any Director may be removed from office with or without cause by a vote of the holders of two-thirds of the shares entitled to vote at an annual meeting held inter alia for the purpose of electing Directors.

Section 5. Regular Meetings. The Board of Directors shall hold regular meetings not less frequently than quarterly in the months of January, April, July and October on such dates and at such times as the Board may designate. The regular meeting of the Board in the month of April of each year shall be the annual meeting of the Board and shall be held immediately following the annual meeting of shareholders.

Section 6. Special Meetings. Special meetings of the Board in lieu of or in addition to the regular meetings shall be held at such times as the Chairman of the Board, President or any four Directors may require.

Section 7. Notice. Notice of regular and special meetings shall be sent by the Secretary or President by mail, at least five days prior to the day of the meeting, or delivered in hand or by telephone at least twenty-four hours prior to the time of the meeting. Any Director may waive notice of any meeting in writing filed with the Secretary. Notice of the annual meeting of the Board shall not be required.

Section 8. Quorum. No less than a majority of Directors shall constitute a quorum for the transaction of business at the meetings of the Board, and the concurrence of a majority of those present at any meeting shall be necessary to give validity to any vote.

Section 9. Action Without a Meeting. Any action required or Permitted to be taken by the Board of Directors or by a committee at a

meeting may be taken without a meeting if written consent thereto, setting forth the action so taken, shall be signed by all of the Directors or by all of the members of the committee. The consent may be contained in a single document or may be contained in more than one document so long as the documents in the aggregate contain the required signatures.

Section 10. Duties and Powers. The Board of Directors shall be vested with the management and direction of the affairs of the Corporation and shall have and exercise all the powers possessed by the Corporation so far as such delegation of authority is not inconsistent with the laws of the State of New Hampshire, the Articles of Incorporation and these Bylaws.

Section 11. Executive Committee; Other Committees. The Board of Directors, by resolution adopted by a majority of the full Board, may designate from its members an Executive Committee and one or more other committees each of which, subject to the limitations of the laws of the State of New Hampshire, shall have and may exercise all of the authority of the Board to the extent provided in these Bylaws or in any such resolution.

ARTICLE IV

OFFICERS

Section 1. Number. The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer, a Secretary and such other officers as the Directors may, from time to time, determine. Two or more offices may be held by the same person.

Section 2. Election. Each year at the annual meeting of the Board of Directors, the Directors shall determine the number of offices to be filled and shall elect officers to fill such positions for the ensuing year and until their successors are duly qualified, or until their death or until they shall resign or be removed in the manner hereinafter provided. Directors from time to time may fill any vacancy that may exist in any office and may elect such other officers as they may determine to be necessary to manage the affairs of the Corporation. Election or appointment of an officer, employee or agent, shall not of itself create contract rights. The Board of Directors may authorize the Corporation to enter into an employment contract with any officer in accordance with applicable law and regulation; but no such contract shall impair the right of the Board of Directors to remove any officer at any time in accordance with Section 3. of this Article IV. All officers shall be sworn to the faithful performance of their duties. The Directors shall require fidelity bonds for all officers with authority to handle funds or sign checks.

Section 3. Removal. The Board of Directors may at any time suspend the right of any officer to perform such officer's duties and may remove any officer with or without cause at any meeting of the Board by vote of a majority of the full Board, whenever in its judgment

the best interests of the Corporation will be served thereby, but such removal, other than for cause, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Duties and Powers. The duties of certain officers shall be as specified in this Section 4, as otherwise provided in these Bylaws, and as determined from time to time by the Board of Directors or the chief executive officer.

a. Chairman of the Board. The Chairman of the Board, if any, may be designated by the Directors as chief executive officer of the Corporation. The Chairman of the Board, if any, shall preside at all meetings of the Board, and shall exercise overall supervision of the officers, and affairs of the Corporation.

b. President. The President shall be the chief executive officer of the Corporation if the Chairman is not so designated, and shall have the general management of the affairs of the Corporation as far as they are not specifically regulated by the shareholders or the Directors, including the Chairman of the Board, if any. The President shall preside at all the meetings of the Board in the absence of the Chairman or if no Chairman shall have been designated by the Directors.

c. Executive Vice President. A Vice President of the Corporation may be designated by the Board as Executive Vice President and in addition to the duties and powers provided in these Bylaws and otherwise delegated by the Board and the chief executive officer, the Executive Vice President shall have the powers of the President during the absence or disability of the President.

d. Treasurer. The Treasurer shall negotiate loans and receive and disburse all other funds of the Corporation, and for this purpose, shall have authority to sign checks upon any account of the Corporation in any bank or similar type of institution. The Treasurer shall supervise the keeping of the accounts of the Corporation in books which shall be the property of the Corporation and shall cause to be prepared periodic statements of the financial condition of the Corporation and shall submit such statements to the Board.

e. Secretary. The Secretary of the Corporation shall be a resident of the State of New Hampshire. The Secretary shall be registered with the Secretary of State of the State of New Hampshire as the registered agent. The Secretary shall record the proceedings of the meetings of shareholders and Directors showing the names of the persons present. The Secretary may give notice of all meetings of the shareholders and the Directors required by these Bylaws.

ARTICLE V

INDEMNIFICATION

Section 1. Suits, Etc. Other Than by or in the Right of the Corporation. The Corporation shall have power to indemnify any Person who was or is a party or is threatened to be made a party to any

threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative or investigative, other than an action by or in the right of the Corporation, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Suits, Etc. by or in the Right of the Corporation. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which the person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper.

Section 3. Scope of Indemnification. To the extent that a Director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 above, or in defense of any claim, issue or matter based on Section 1 or 2 above, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

Section 4. Determination of Indemnification. Any indemnification under Section 1 or 2 above, unless ordered by a court, shall be made by the Corporation only as authorized in the specific case upon a

determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or 2 above. This determination shall be made:

a. By the Board of Directors by a majority of vote of a quorum consisting of Directors who were not parties to the action, suit or proceeding;

b. By independent legal counsel in a written opinion if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Directors so directs; or

c. By the shareholders.

Section 5. Payment of Expenses. Expenses, including attorneys' fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of the action, suit or proceeding as authorized in the manner provided in Section 4 above, upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay the amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

Section 6. Other Rights. The indemnification provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of that person.

Section 7. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against this liability under the provisions of this section.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Documents and Instruments. To the extent permitted by laws of the State of New Hampshire, and except as otherwise prescribed by these Bylaws with respect to certificates for shares, the Chairman of the Board, President, and Vice President or the Treasurer shall be authorized to execute contracts, deeds, leases and all other documents. Notwithstanding the foregoing the Board of Directors may by special

vote authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by one or more officers, employees or agents of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in any of its duly authorized depositories as the Board of Directors may select.

ARTICLE VII

CERTIFICATES FOR SHARES AND THEIR TRANSFER; RESTRICTIONS

Section 1. Certificates for Shares. Certificates representing shares of capital stock of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the chief executive officer or by any other officer of the Corporation authorized by the Board of Directors, attested by the Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in the case of a lost or destroyed certificate, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Corporation shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record thereof or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporation. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose

same shares of capital stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

Section 3. Restrictions. All certificates shall bear a legend giving appropriate notice of any restrictions on sale or other pertinent matters.

ARTICLE VIII

PURCHASE OF SHARES; DISTRIBUTION OF CAPITAL SURPLUS

Subject to the provisions of Article IV of the Articles of Incorporation and any other restrictions imposed by law, the Board of Directors may purchase the shares of the Corporation out of unreserved and unrestricted earned surplus and capital surplus of the Corporation available for that purpose and may distribute to its shareholders out of the capital surplus of the Corporation a portion of its assets, in cash or property.

ARTICLE IX

FISCAL YEAR: ANNUAL AUDIT

The fiscal year of the Corporation shall be the calendar year. The Corporation shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Board of Directors. The appointment of such accountants shall be subject to annual ratification by the shareholders.

ARTICLE X

INSPECTION OF BOOKS AND RECORDS BY SHAREHOLDERS

Any person who shall have been a holder of record of shares of stock or of voting trust certificates of the Corporation at least six months immediately preceding his demand, or shall be the holder of record of, or the holder of record of voting trust certificates for, at least five percent of all outstanding shares of the Corporation, upon advance written demand stating the purpose of the demand, at least three days in advance of the demanded examination, shall have the right to examine, in person, or by agent or attorney, during the business hours of the Corporation, for any proper purpose its relevant books and records of accounts, minutes, and record of shareholders and to make extracts from the books and records. The Corporation may charge reasonable fees for any expenses incurred in copying its books and records at the request of such shareholder.

ARTICLE XI

DIVIDENDS

Subject to the laws of the State of New Hampshire, the Board of Directors may, from time to time, declare, and the Corporation may pay, dividends on its outstanding shares of capital stock.

ARTICLE XII

CORPORATE SEAL

The Board of Directors shall provide a Corporation seal upon which the name of the Corporation, the year of incorporation and an emblem may appear.

ARTICLE XIII

AMENDMENTS

These Bylaws may be amended at any time by a majority of the full Board of Directors subject to repeal or change only by a vote of the holders of two-thirds of the shares entitled to vote at a meeting expressly called for that purpose, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

These Bylaws reflect amendments voted by the Board of Directors on September 28, 1984, and October 31, 1984.

SECRETARY'S CERTIFICATE

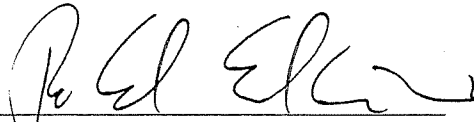
PENNICHUCK CORPORATION

I, Roland Olivier, being the duly elected Secretary of PENNICHUCK CORPORATION, a New Hampshire corporation (the "Corporation"), hereby certify that:

- (i) Attached hereto as Exhibit A is a true and correct copy of a certain resolution of the Board of Directors of the Corporation duly adopted at a meeting held on April 3, 2009 at which a quorum was present, and that such resolution is in conformity with the Restated Articles of Incorporation and the Bylaws of the Corporation (each as amended to date) and such resolution has not been rescinded or modified, and is in full force and effect, as of the date hereof.
- (ii) Attached hereto as Exhibit B is a true and correct copy of the Restated Articles of Incorporation of the Corporation in full force an effect as of the date hereof.
- (iii) Attached hereto as Exhibit C is a true and correct copy of the Bylaws of the Corporation in full force an effect as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of the date set forth below.

Dated: August 27, 2009



Roland Olivier, Secretary

EXHIBIT A

VOTED: To authorize and approve the guaranty by the Corporation of an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to One Million Three Hundred Thousand Dollars (\$1,300,000) at the current SRF rate of interest (currently 4.208%) with 50% of the borrowed principle being forgiven over the life of the loan for the purpose of funding the replacement or cleaning and lining of about 8,200 lineal feet of water main in the French Hill area of Nashua, New Hampshire.

VOTED: To authorize and approve the guaranty by the Corporation of an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to Ninety-Eight Thousand Dollars (\$98,000) at the current SRF rate of interest (currently 4.208%) with 50% of the borrowed principle being forgiven over the life of the loan for the purpose of funding the replacement of a 20,000 gallon atmospheric tank at PWW's Glenridge Community Water System in Derry, New Hampshire.

VOTED: To authorize and approve the guaranty by the Corporation of an agreement between Pennichuck Water Works, Inc. ("PWW") and the State of New Hampshire under the State Revolving Loan Fund ("SRF"), pursuant to which PWW will borrow up to Four Hundred Fifty Thousand Dollars (\$450,000) at the current SRF rate of interest (currently 4.208%) with 50% of the borrowed principle being forgiven over the life of the loan for the purpose of funding the construction of an interconnection between the Milford water system and PWW's Ashley Commons Community Water System in Milford, New Hampshire.

VOTED: That Duane C. Montopoli and Thomas C. Leonard are, and each of them hereby is, authorized to act as Pennichuck Corporation's representative for purposes of executing and administering the above referenced loan guarantees and/or executing any other related documents, certificates, and undertakings on behalf of the Corporation.

EXHIBIT B

State of New Hampshire

Filed
Date Filed: 03/13/2008
Business ID: 30869
William M. Gardner
Secretary of State

Form 16

RSA 293-A:10.07

Filing fee: \$5.00

Use black print or type.

Form must be single-sided, on 8 1/2 X 11" paper;
double-sided copies will not be accepted.

RESTATED ARTICLES OF INCORPORATION OF

PENNICHUCK CORPORATION

PURSUANT TO THE PROVISIONS OF THE NEW HAMPSHIRE BUSINESS CORPORATION ACT, THE UNDERSIGNED CORPORATION, PURSUANT TO A RESOLUTION DULY ADOPTED BY ITS BOARD OF DIRECTORS, HEREBY ADOPTS THE FOLLOWING RESTATED ARTICLES OF INCORPORATION: (Here insert all of the operative provisions of the articles of incorporation as amended)

SEE ATTACHED RESTATED ARTICLES OF INCORPORATION OF PENNICHUCK CORPORATION

State of New Hampshire
Form 16 - Restated Articles 24 Page(s)



T0807331071

[If more space needed, attach additional sheet(s)]

RESTATED ARTICLES OF INCORPORATION OF
PENNICHUCK CORPORATION

Form 16
(cont.)

THE FOREGOING RESTATED ARTICLES OF INCORPORATION CORRECTLY SET FORTH WITHOUT CHANGE THE CORRESPONDING PROVISIONS OF THE ARTICLES OF INCORPORATION AS HERETOFORE AMENDED, AND SUPERSEDE THE ORIGINAL ARTICLES OF INCORPORATION AND ALL AMENDMENTS THERETO.

Date MARCH 13, 2008

PENNICHUCK CORPORATION

(Note 1)

(Corporate name)

William D. Patterson

(Note 2)

(Signature)

SVP & CFO

(Note 2)

(Title)

WILLIAM D. PATTERSON

(Print or type name)

DISCLAIMER: All documents filed with the Corporation Division will be publicly available for inspection, physically, electronically or in other media.

- Notes: 1. Exact corporate name of corporation adopting the restated articles of incorporation.
2. Signature and title of person signing for the corporation. Must be signed by the chairman of the board of directors, president or another officer; or see RSA 293-A:1.20(f) for alternative signatures.

Mail fee with DATED AND SIGNED ORIGINAL to: Corporation Division, Department of State, 107 North Main Street, Concord NH 03301-4989.

b.

**RESTATED
ARTICLES OF INCORPORATION
OF PENNICHUCK CORPORATION**

The following Articles of Incorporation are adopted pursuant to the provisions of the New Hampshire Business Corporation Act (RSA Chapter 293-A):

ARTICLE I

The name of the corporation is PENNICHUCK CORPORATION.

ARTICLE II

The period of its duration is perpetual.

ARTICLE III

The principal purposes for which the corporation is organized are:

To acquire an interest in or control of corporations or associations engaging in activities of every kind or description or any other activities through ownership of stock; to acquire such stock by purchase, exchange for its own securities or otherwise; to exercise all of the rights, powers and privileges of such stock; and to generally conduct the business and carry on the activities of a holding company.

The corporation is further empowered to transact any and all lawful business for which corporations may be incorporated under RSA Chapter 293-A.

ARTICLE IV

Except as provided in Article VII, the aggregate number of shares of capital stock which the corporation shall have authority to issue is: Eleven Million Five Hundred Thousand (11,500,000) shares of common stock, having par value of One Dollar (\$1.00) per share, and Fifteen Thousand (15,000) shares of preferred stock, having par value of One Hundred Dollars (\$100.00) per share. The following is a statement of the designations, preferences, voting powers, qualifications, limitations, restrictions, and the special or relative rights granted to or imposed upon the common stock and the preferred stock, and a statement of the authority vested in the board of directors to fix by resolution any designations, preferences, voting powers, qualifications, limitations, restrictions, and special or relative rights of any series of preferred stock that is desired but which has not been fixed herein:

1. Shares of preferred stock authorized and issued from time to time may be divided into and issued in series and classes as herein provided, each of such series and classes to be distinctly designated. All shares of preferred stock of all series of the same class shall be of equal rank and all shares of any particular series of the preferred stock shall be identical except as to the date or dates from which dividends thereon shall be cumulative as provided in paragraph 2

hereof. The shares of the preferred stock of different series, subject to any applicable provision of law, may vary as to the following terms, which shall be fixed in the case of each such series, at any time prior to the issuance of the shares thereof, in the manner provided in paragraph 7 hereof:

- a. The annual dividend rate (within such limits as shall be permitted by law) for the particular series and the date from which dividends shall be cumulative on all shares of such series issued prior to the record date for the first dividend for such series;
- b. The redemption price or prices, if any, for the particular series;
- c. The amount or amounts per share for the particular series payable to the holders thereof upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation, which may be different for voluntary or involuntary liquidation, dissolution or winding up;
- d. The terms and amount of any sinking fund provided for the purchase or redemption of shares of the particular series; and
- e. The conversion, participating or other special rights, and the qualifications, limitations or restrictions thereof, if any of the particular series.

2. The holders of each series of the preferred stock at the time outstanding shall be entitled to receive, but only when and as declared by the board of directors, out of funds legally available for the payment of dividends, cumulative preferential dividends, at the annual dividend rate for the particular series fixed therefor as herein provided; payable quarter-yearly on the fifteenth days of January, April, July and October in each year, to shareholders of record on the respective dates, not exceeding forty (40) days preceding such dividend payment dates, fixed for the purpose by the board of directors. No dividends shall be declared on any series in a particular class of the preferred stock in respect of any quarter-yearly dividend period unless there shall likewise be declared on all shares of all series in said class of the preferred stock at the time outstanding, like proportionate dividends, ratably, in proportion to the respective annual dividend rates fixed therefor, in respect of the same quarter-yearly dividend period, to the extent that such shares are entitled to receive dividends for such quarter-yearly dividend period. The dividends on shares of all series of the preferred stock shall be cumulative. In the case of all shares of each particular series, the dividends on shares of such series shall be cumulative:

- a. If issued prior to the record date for the first dividend on the shares of such series, then from the date for the particular series fixed therefor as herein provided;
- b. If issued during the period commencing immediately after a record date for a dividend and terminating at the close of the payment date for such dividend, then from such dividend payment date; and

- c. Otherwise from the quarter-yearly dividend payment date next preceding the date of issue of such shares;

so that unless dividends on all outstanding shares of each series of the preferred stock, at the annual dividend rate and from the dates for accumulation thereof fixed as herein provided shall have been paid for all past quarter-yearly dividend periods, but without interest on cumulative dividends, no dividends shall be paid or declared and no other distribution shall be made on the common stock, and no common stock shall be purchased or otherwise acquired for value by the corporation. The holders of the preferred stock of any series shall not be entitled to receive any dividends thereon other than the dividends referred to in this paragraph 2.

3. The corporation, by action of its board of directors, may redeem the whole or any part of any series of the preferred stock, at any time or from time to time, at the redemption price of the shares of the particular series fixed therefor as herein provided, together with a sum in the case of each share of each series so to be redeemed, computed at the annual dividend rate for the series of which the particular share is a part from the date from which dividends on such share became cumulative to the date fixed for such redemption, less the aggregate of the dividends theretofore or on such redemption date paid thereon or declared and set aside for payment thereon. Notice of every such redemption shall be given by publication at least once in a daily newspaper printed in the English language and of general circulation in the City of Nashua, New Hampshire, or Boston, Massachusetts, the first publication in such newspaper to be at least thirty (30) days and not more than ninety (90) days prior to the date fixed for such redemption. At least thirty (30) days' and not more than ninety (90) days' previous notice of every such redemption shall also be mailed to the holders of record of the shares of the preferred stock so to be redeemed, at their respective addresses as the same shall appear on the books of the corporation; but either or both of such requirements for notice by publication and notice by mailing may be waived by the holders of the shares to be redeemed and, in any event, no failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of the preferred stock so to be redeemed. In case of the redemption of a part only of any series of the preferred stock at the time outstanding, the corporation shall select by lot or pro rata, in such manner as the board of directors may determine, the shares so to be redeemed. The board of directors shall have full power and authority, subject to the limitations and provisions herein contained, to prescribe the manner in which and the terms and conditions upon which the shares of the preferred stock shall be redeemed from time to time. If such notice of redemption shall have been duly given publication, and if on or before the redemption date specified in such notice all funds necessary for such redemption shall have been set aside by the corporation, separate and apart from its other funds, in trust for the account of the holders of the shares to be redeemed, so as to be and continue to be available therefor, then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered by cancellation, from and after the date fixed for redemption, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue and all rights with respect to such shares so called for redemption shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive, out of the funds so set aside in trust, the amount payable upon redemption thereof, without interest; provided, however, that the corporation may, after giving notice by publication of any such redemption as hereinbefore provided or after giving to

the bank or trust company hereinafter referred to irrevocable authorization to give such notice by publication, and, at any time prior to the redemption date specified in such notice, deposit in trust, for the account of the holders of the shares to be redeemed, funds necessary for such redemption with a bank or trust company in good standing, organized under the laws of the United States of America or of the State of New Hampshire or Commonwealth of Massachusetts, doing business in the City of Nashua, New Hampshire, or the City of Boston, Massachusetts, having capital, surplus and undivided profits aggregating at least \$10,000,000, designated in such notice of redemption and upon such deposit in trust, all shares with respect to which such deposit shall have been made shall no longer be deemed to be outstanding, and all rights with respect to such shares shall forthwith cease and terminate, except only the right of the holders thereof to receive, out of the funds so deposited in trust, from and after the date of such deposit, the amount payable upon the redemption thereof, without interest, provided further that notice of such right shall be included in the notice of redemption hereinabove provided for. Nothing herein contained shall limit any legal right of the corporation to purchase or otherwise acquire any shares of the preferred stock at not exceeding the price at which the same may be redeemed. All or any shares of the preferred stock at any time redeemed, purchased or acquired by the corporation may thereafter, in the discretion of the board of directors, be reissued or otherwise disposed of at any time or from time to time to the extent and in the manner now or hereafter permitted by law, subject, however, to the limitations imposed by the terms of any particular class or series of the preferred stock adopted in the manner provided in paragraph 7 hereof.

4. Before any amount shall be paid to, or any assets distributed among, the holders of the common stock upon any liquidation, dissolution or winding up of the corporation, and after paying or providing for the payment of all creditors of the corporation, the holders of each series of the preferred stock at the time outstanding shall be entitled to be paid in cash the amount for the particular series fixed therefor as herein provided, together with a sum in the case of each such share of each series, computed at the annual dividend rate for the series of which the particular share is a part, from the date from which dividends on such share became cumulative to the date fixed for the payment of such distributive amount, less the aggregate of the dividends theretofore or on such date paid thereon or declared and set aside for payment thereon; but no payments on account of such distributive amounts shall be made to the holders of any series of the preferred stock unless there shall likewise be paid at the same time to the holders of each other series of the same class of the preferred stock at the time outstanding like proportionate distributive amounts, ratably, in proportion to the full distributive amounts to which they are respectively entitled as herein provided. Each class of stock shall be entitled to receive such payments on the basis of the relative seniority of such class with respect to each other class. The holders of the preferred stock of any series shall not be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the corporation other than the amounts referred to in this paragraph. Neither the consolidation or merger of the corporation with or into any other corporation or corporations, nor the sale or transfer by the corporation of all or any part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the corporation for the purposes of this paragraph.

5. Whenever the full dividends on all series of the preferred stock at the time outstanding for all past quarter-yearly dividend periods shall have been paid or declared and set apart for payment, then such dividends (payable in cash, stock or otherwise), as may be

determined by the board of directors may be declared and paid on the common stock, but only out of funds legally available for the payment of such dividends.

6. In the event of any liquidation, dissolution or winding up of the corporation, all assets and funds of the corporation remaining after paying or providing for the payment of all creditors of the corporation and after paying or providing for the payment to the holders of shares of all series of the preferred stock of the full distributive amounts to which they are respectively entitled, as herein provided, shall be divided among and paid to the holders of the common stock according to their respective shares.

7. The corporation may, at any time or from time to time, within the then total authorized amount of the preferred stock of all series, increase the authorized amount of any series of the preferred stock or of any preferred stock which is not part of a then existing series, establish or reestablish any unissued shares of the preferred stock as shares of the preferred stock of any series as preferred stock which is not part of a then existing series, create one or more additional classes or series of the preferred stock, fix the authorized amount of any class or series (which amount shall be subject to change from time to time by like action), and fix the designations, and the terms of any class or series of the preferred stock in the respects in which the shares or any class or series may vary from the shares of other class or series of the preferred stock as provided in paragraph 1 hereof, by the vote of the holders of a majority of the total number of shares of the common stock of the corporation then outstanding given at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof. In case and to the extent that, under the laws of New Hampshire at the time in effect, the board of directors of the corporation shall be authorized by law to create new classes or series of the preferred stock or to fix the amounts, designations, and the terms of the shares of any class or series of the preferred stock or to take any other action with respect to the preferred stock of the corporation specified in this paragraph 7, no action of shareholders of the corporation with respect thereto shall be required under the provisions of this paragraph 7 and all action authorized by the provisions of this paragraph 7 to be taken by vote of the holders of the common stock may be taken by vote of the board of directors of the corporation.

8. (A) So long as any shares of the preferred stock of any series are outstanding, the corporation shall not, without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of at least two-thirds of the total number of shares of the preferred stock of all series then outstanding:

- a. Create or authorize any kind of stock (other than a series of the preferred stock) ranking prior to or on parity with the preferred stock, or create or authorize any obligation or security convertible into shares of stock of any such kind; or
- b. Amend, alter, change or repeal any of the express terms of the preferred stock or of any series of the preferred stock then outstanding in a manner prejudicial to the holders thereof; provided, however, that if any such amendment, alteration, change or repeal would be prejudicial to the holders of one or more, but not all, of the series of the preferred stock at the time outstanding, only such consent of the

holders of two-thirds of the total number of shares of all series so affected shall be required; or

- c. Issue any additional shares of any series of the preferred stock, unless (i) for the purpose of refunding all of the shares of any particular series of preferred stock then outstanding, subject to any limitations on redemption which may exist with respect to such series; or (ii) the net earning of the corporation applicable to the payment of dividends on the preferred stock, and unless the net earnings applicable to the payment of interest charges on its indebtedness, in each instance after provision for depreciation and all taxes chargeable as operating expense and determined in accordance with sound accounting practice, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the calendar month within which such additional shares of stock shall be issued, shall, respectively, have been at least two (2) times the dividend requirements for a twelve (12) months' period upon the entire amount of the preferred stock to be outstanding immediately after the proposed issue of such additional shares of preferred stock and at least one and one-half (1 1/2) times the aggregate of such dividend requirements and of the interest charges for said period on the entire amount of the indebtedness to be likewise outstanding; but excluding from each of the foregoing computations interest charges on all indebtedness which is to be retired through the issue of such additional shares of preferred stock.

(B) So long as any shares of the preferred stock of any series are outstanding, the corporation shall not pay any dividends on or make any other distribution to the holders of shares of its common stock if after giving effect to such payment or distribution the capital of the corporation represented by its common stock together with its surplus as then stated on its books of accounts shall in the aggregate be less than the involuntary liquidating value of its then outstanding preferred stock.

9. No holder of shares of any series of the preferred stock shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock, or securities convertible into stock, of any class, series or kind whatsoever, whether now or hereafter authorized, and whether issued for cash, property, services, by way of dividends, or otherwise.

10. (A) At all meetings of the shareholders of the corporation the holders of common stock shall be entitled to one vote for each share of common stock held by them respectively except as herein otherwise expressly provided. The holders of the preferred stock shall have no right to vote and shall not be entitled to notice of any meeting of shareholders of the corporation nor to participate in any such meeting except as herein otherwise expressly provided and except for those purposes, if any, for which said rights cannot be denied or waived under some mandatory provision of law which shall be controlling.

(B) If and when (i) dividends payable on any series of the preferred stock shall be in default in an amount equivalent to four (4) full quarter-yearly dividends on the shares of

such series of the preferred stock then outstanding, or (ii) any mandatory redemption payment shall be in arrears by five (5) or more days with respect to the shares of any series of preferred stock then outstanding, and until all dividends then in default shall have been paid or declared and set apart for payment, and any mandatory redemption payment then in arrears shall have been paid, the holders of all preferred stock, voting separately as one class, shall be entitled to elect the smallest number of directors necessary to constitute a majority of the full board of directors, and the holders of the common stock, voting separately as a class, shall be entitled to elect the remaining directors of the corporation. The terms of office of all persons who may be directors of the corporation at the time shall terminate upon the election of a majority of the board of directors by the holders of the preferred stock, whether or not the holders of the common stock shall then have elected the remaining directors of the corporation.

(C) If and when all dividends then in default on the preferred stock then outstanding shall be paid or declared and set apart for payment (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practicable), and any mandatory redemption payment then in arrears shall have been paid, the preferred stock shall thereupon be divested of any special right with respect to the election of directors provided in subparagraph (B) hereof, the voting power of the preferred stock and the common stock shall revert to the status existing before the occurrence of such default; but always subject to the same provisions for vesting such special rights in the preferred stock in case of further like default or defaults in dividends thereon or further arrearages in mandatory redemption payments thereon. Upon the termination of any such special right, the terms of office of all persons who may have been elected directors of the corporation by vote of the holders of the preferred stock, as a class, pursuant to such special right shall forthwith terminate, and the resulting vacancies shall be filled by the vote of a majority of the remaining directors.

(D) In case of any vacancy in the office of a director occurring among the directors elected by the holders of preferred stock, as a class, pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of preferred stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Likewise in case of any vacancy in the office of a director occurring among the directors elected by the holders of common stock pursuant to the foregoing provisions of subparagraph (B) hereof, the remaining directors elected by the holders of the common stock may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

(E) Whenever under the provisions of subparagraph (B) hereof, the right shall have accrued to the holders of the preferred stock to elect directors, the board of directors shall within ten (10) days after delivery to the corporation at its principal office of a request to such effect signed by any holder of preferred stock entitled to vote, call a special meeting of all shareholders to be held within forty (40) days from the delivery of such request for the purpose of electing directors. At all meetings of shareholders held for the purpose of electing directors during such times as the holders of shares of the preferred stock shall have the special right, voting separately as one class, to elect directors pursuant to subparagraph (B) hereof, the

presence in person or by proxy of the holders of a majority of the outstanding shares of the common stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of all series of the preferred stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of either such class shall not prevent the election at any such meeting or adjournment thereof of directors by the other such class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided further that in the absence of a quorum of the holders of stock of either such class, a majority of those holders of the stock of such class who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such class from time to time without notice other than announcement at the meeting until the requisite amount of holders of such class shall be present in person or by proxy, but such adjournment shall not be made to a date beyond the date for the mailing of notice of the next annual meeting of the corporation or special meeting in lieu thereof.

(F) Except when some mandatory provision of law shall be controlling and except as otherwise provided in clause (b) of paragraph 8(A) hereof and, as regards the special rights of any series of the preferred stock as provided in the resolutions creating such series, whenever shares of two or more series of the preferred stock are outstanding, no particular series of the preferred stock shall be entitled to vote as a separate series on any matter and all shares of the preferred stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the corporation by classes may now or hereafter be required.

11. From time to time, and without limitation of other rights and powers of the corporation as provided by law, the corporation may reclassify its capital stock and may create or authorize one or more classes or kinds of stock ranking prior to or on a parity with or subordinate to the preferred stock or may increase the authorized amount of the preferred stock or of the common stock or of any other class of stock of the corporation or may amend, alter, change or repeal any of the rights, privileges, terms and conditions of the preferred stock or of any series thereof then outstanding or of the common stock or of any other class of stock of the corporation, upon the vote, given at a meeting called for that purpose in accordance with the provisions of paragraph 12, hereof, of a majority in interest of the shareholders then entitled to vote thereon or upon such other vote of its shareholders then entitled to vote thereon as may then be provided by law; (i) provided that the consent of the holders of the preferred stock (or of any series thereof) required by the provisions of subparagraph (A) of paragraph 8 hereof, if any such consent be so required, shall have been obtained; (ii) provided that the rights, privileges, terms and conditions of the common stock shall not be subject to amendment, alteration, change or repeal without the consent (given in writing or by vote at a meeting called for that purpose in accordance with the provisions of paragraph 12 hereof) of the holders of a majority of the total number of shares of the common stock then outstanding; and (iii) provided that any limitations imposed by the terms of any particular class or series of the preferred stock adopted in the manner provided in paragraph 7 hereof, shall have been satisfied.

12. Notice of any meeting of shareholders of the corporation, or of the holders of any class or series of stock, required or authorized hereunder or by law, setting forth the purpose or purposes of such meeting, shall be mailed by the corporation, in the manner provided in the

corporation's bylaws. Any action authorized to be taken at a meeting called for that purpose in accordance with the provisions of this paragraph 12 may be taken either at a special meeting, or at any regular or annual meeting provided that notice of such proposed action is included in the notice of such regular or annual meeting. Except where some mandatory provision of law shall be controlling, no other, longer or additional notice need be given of any such meeting and all holders of shares of stock of the corporation, by becoming such, hereby consent to the holding of any such meeting upon notice given as hereinbefore provided and hereby waive, to the full extent permitted by law any right to require the giving of or to receive any such other, longer or additional notice.

13. The corporation may, at any time and from time to time, issue and dispose of any of the authorized and unissued shares of the preferred stock and common stock for such consideration as may be fixed by the board of directors, subject to any provisions of law then applicable, and subject to the provisions of any resolutions of the shareholders of the corporation relating to the issue and disposition of such shares.

14. The shareholders of the corporation shall not have preemptive rights to acquire unissued or treasury shares of common stock or securities convertible into such shares or carrying a right to subscribed to or acquire shares. This provision shall apply to the holders of the corporation's common stock, whether issued prior to or subsequent to the adoption hereof.

ARTICLE V

Subject to the provisions of Article IV and any other restrictions imposed by law, the board of directors may (i) purchase, take, receive or otherwise acquire, hold, own, pledge, transfer or otherwise dispose of the shares of the corporation, but purchases of such shares, whether direct or indirect, shall be made only to the extent of unreserved and unrestricted earned surplus and capital surplus of the corporation available for such purchases; and (ii) distribute to its shareholders out of the capital surplus of the corporation a portion of its assets, in cash or property.

ARTICLE VI

In addition to any affirmative vote required by law or these Articles of Incorporation, the vote of shareholders of the corporation required to approve any Business Combination (as defined hereinbelow) shall be as set forth in this Article VI. Each capitalized or other term used in this Article VI shall have the meaning ascribed to it in Section 3 hereof or as otherwise defined herein.

1. None of the following Business Combinations shall be consummated without the affirmative vote of the holders of at least two-thirds of the shares entitled to vote thereon ("Voting Stock"), unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote:

- a. any merger or consolidation of the corporation or any Subsidiary with or into (i) any Interested Shareholder or (ii) any other corporation or entity (whether or not itself an Interested Shareholder) which is, or after each merger or consolidation would be, an Affiliate of an Interested Shareholder;
- b. any sale, lease, exchange, mortgage; pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of assets of the corporation or any Subsidiary having an aggregate Fair Market Value of \$1,000,000 or more;
- c. the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$1,000,000 or more; other than the issuance of securities upon the conversion of any class or series of stock or securities convertible into stock of the corporation or any Subsidiary which were not acquired by such Interested Shareholder (or such Affiliate) from the corporation or a Subsidiary;
- d. the adoption of any plan or proposal for the liquidation or dissolution of the corporation or any Subsidiary proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or
- e. any reclassification of securities (including any reverse stock split), or any recapitalization of the corporation or any other Subsidiary, or any merger or consolidation of the corporation with or into any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which in any such case (i) has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of stock of the corporation or any Subsidiary which is directly or indirectly beneficially owned by any Interested Shareholder or any Affiliate of any Interested Shareholder (ii) would have the effect of increasing such proportionate share upon conversion of any class or series of stock or securities convertible into stock of the corporation or any Subsidiary.

2. The provisions of Section 1 hereof shall not be applicable to any Business Combination in respect of which all of the conditions specified in either of the following Subsections a and b are met. Any such Business Combination shall require the affirmative vote of only the holders of a majority of the shares of common stock of the corporation.

- a. Such Business Combination shall have been approved by a majority of the Disinterested Directors, or
- b. All conditions specified in the following Paragraphs (1) through (5) shall have been met:

(1) Minimum Price: Consideration for Stock.

(a) Common Stock.

The aggregate amount of the cash and the Fair Market Value as of the "Consummation Date" of any consideration other than cash to be received by holders of the common stock of the corporation in such Business Combination shall be at least equal to the higher of the following:

- (i) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such common stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher; or
- (ii) the Fair Market Value per share of such common stock on the Announcement Date or the Determination Date, whichever is higher; and

(b) Other Stock.

The aggregate amount of the cash and the Fair Market Value as of the Consummation Date of any consideration other than cash to be received per share by holders of shares of any class or series of outstanding Voting Stock other than Common stock shall be at least equal to the highest of the following (it being intended that the requirements of this Subparagraph (b) shall be required to be met with respect to every class and series of such Voting Stock, whether or not the Interested Shareholder beneficially owns any shares of a particular class or series of such Voting Stock):

- (i) the highest per share price (including any brokerage commissions, transfers taxes and soliciting dealers' fees) paid in order to acquire any shares of such class or series of Voting Stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder within the two-year period immediately prior to the Announcement Date or in the transaction in which it became an Interested Shareholder, whichever is higher;
- (ii) the highest preferential amount per share to which the holders of shares of such class or series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation; or
- (iii) the Fair Market Value per share of such class or series of Voting Stock on the Announcement Date or the Determination Date, whichever is higher; and

(c) Form of Consideration.

The consideration to be received by holders of a particular class or series of outstanding Voting stock shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of such class or series of Voting Stock that are beneficially owned by the Interested Shareholder and, if the Interested Shareholder beneficially owns shares of any class or series of Voting Stock that were acquired with varying forms of consideration, the form of consideration to be received by the holders of such class or series of Voting Stock shall be either cash or the form used to acquire beneficially the largest number of shares of such class or series of Voting Stock beneficially acquired by it prior to the Announcement Date; and

(2) Prohibited Conduct.

After the Determination Date, and prior to the Consummation Date:

(a) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at regular dates therefor the full amount of any dividends, (whether or not cumulative) payable on any class or series having a preference over the common stock of the corporation as to dividends, or upon liquidation;

(b) there shall have been no reduction in the annual rate of dividends paid on the common stock of the corporation (except as necessary to reflect any division of the common stock) except as approved by a majority of the Disinterested Directors; and there shall have been an increase in such annual rate of dividends as necessary to prevent any such reduction in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the common stock, unless the failure so to increase such annual rate was approved by a majority of the Disinterested Directors;

(c) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction in which it became an Interested Shareholder; and

(d) after such Interested Shareholder has become an Interested Shareholder, such Interested shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(3) Informational Requirements.

A proxy or information statement describing the proposed Business Combination and complying with the then current requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to holders of Voting Stock at least 30 days prior to the shareholder vote on such Business Combination (whether or not such proxy or

information statement is required to be mailed pursuant to such Act or subsequent provisions).

3. For the purpose of this Article VI.

a. The term "Business Combination" shall mean any transaction that is referred to in any one or more Subsections a through e of Section 1 hereof.

b. A "person" shall mean an individual, firm, corporation or other entity.

c. "Interested Shareholder" shall mean any person (other than the corporation or any Subsidiary) who or which:

- (1) is the beneficial owner, directly or indirectly, of more than 10 percent of the combined voting power of the then outstanding shares of Voting Stock;
- (2) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10 percent or more of the combined voting power of the then outstanding shares of Voting Stock; or
- (3) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock that were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

d. A person shall be a "beneficial owner" of any Voting Stock:

(1) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly;

(2) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(3) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

e. For the purposes of determining whether a person is an Interested Shareholder pursuant to Subsection c of this Section 3, the number of shares of Voting Stock deemed to be

outstanding shall include shares deemed owned through application of Subsection d of this Section 3.

f. "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on April 6, 1984.

g. "Subsidiary" means any corporation more than 50 percent of whose outstanding stock having ordinary voting power in the election of directors is owned, directly or indirectly, by the corporation or by a subsidiary thereof or by the corporation and one or more Subsidiaries thereof; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Subsection c of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

h. "Disinterested Director" means any member of the Board of Directors of the corporation who is unaffiliated with, and not a nominee of, the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Shareholder and who is recommended to succeed a Disinterested Director by a Majority of Disinterested Directors then on the Board of Directors.

i. "Fair Market Value" means:

(1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the higher closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and

(2) in the case of stock of any class or series which is not traded on any United States registered securities exchange nor in the over-the-counter market or in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

j. In the event of any Business Combination in which the corporation survives; the phrase "any consideration other than cash" as used in Paragraph b (I) of Section 2 hereof shall include the shares of common stock and/or the share of any class or series of outstanding Voting Stock other than common stock of the corporation retained by the holders of such shares.

k. "Announcement Date" means the date of first public announcement of the proposed Business Combination.

l. "Consummation Date" means the date of consummation of a Business Combination.

m. "Determination Date" means the date on which the Interested Shareholder became an Interested Shareholder.

4. A majority of the Disinterested directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry all facts necessary to determine compliance with this Article VI, including, without limitation, (i) whether a person is an Interested Shareholder, (ii) the number of shares of Voting Stock beneficially owned by a person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of Section 2 hereof have been met with respect to any Business Combination, and (v) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$1,000,000 or more. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article VI.

5. Nothing contained in this Article VI shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

ARTICLE VII

Notwithstanding anything to the contrary contained in Article IV, the corporation shall have authority to issue 100,000 shares of a class of preferred stock having no par value. The shares of such class of preferred stock may be issued by the corporation at any time or from time to time by vote of the board of directors without the approval of the shareholders. Such class of preferred stock shall have the following preferences, limitations and rights:

1. So long as any shares of the preferred stock authorized by Article IV are outstanding, the shares of preferred stock authorized by this Article VII shall rank junior to such other shares of the preferred stock.

2. The shares of such class shall be entitled to vote on any one or more of the following matters as may be fixed by the board of directors at the time the shares are issued: (i) any Business Combination, as defined in Subsection a of Section 3 of Article VI, required to be approved pursuant to the provisions of Section I of Article VI; (ii) any merger or consolidation of the corporation with or into any other corporation or corporations or any sale of all, or substantially all, of the corporation's property and assets, with or without the goodwill, not qualifying as a Business Combination subject to the provisions of Article VI; (iii) any repeal or change of the Bylaws pursuant to Article VIII; (iv) any amendment of these Articles of Incorporation pursuant to Article XI; and (v) any other matters not inconsistent with these

Articles of Incorporation. The shares of such class shall vote as a class with respect to the foregoing matters unless otherwise provided by the board of directors at the time the shares are issued.

3. Dividends, if any, paid on the shares of such class may be cumulative or noncumulative as may be fixed and determined by the board of directors at the time the shares are issued.

4. All or any portion of the shares of such class may be redeemed at such price and under such terms and conditions as may be fixed and determined by the board of directors at the time the shares are issued.

5. There shall be paid upon the shares of such class such amounts in the event of voluntary and involuntary liquidation as may be fixed and determined by the board of directors at the time the shares are issued.

6. The shares of such class may be converted into shares of common stock as may be fixed and determined by the board of directors at the time the shares are issued.

7. The issuance of shares of such class of preferred stock shall not be subject to preemptive rights of any shareholder.

8. The shares of such class of preferred stock may have any other preferences, limitations and rights as may be fixed and determined by the board of directors at the time the shares are issued.

The board of directors shall have authority to divide such class of preferred stock into series and to fix and determine the relative preferences, limitations and rights of the shares of any series so established, including (i) the rate of dividend; (ii) whether the shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption; (iii) sinking fund provisions, if any, for the redemption or purchase of shares; (iv) the amount payable upon shares in event of voluntary and involuntary liquidation; (v) the terms and conditions, if any, on which the shares may be converted; or (vi) special voting rights, if any.

ARTICLE VIII

The Bylaws of the corporation may be amended only by a majority of the full Board of Directors, subject to repeal or change only by vote of the holders of two-thirds of the shares entitled to vote, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

ARTICLE IX

The Directors shall be divided into three classes, each class to be as nearly equal in number as possible, the term of office of Directors of the first class to expire at the first annual

meeting of shareholders after their election, that of the second class to expire at the second annual meeting after their election and that of the third class to expire at the third annual meeting after their election. At each annual meeting after such classification, a number of Directors equal to the number of the class whose terms expire at the time of such meeting shall be elected to hold office until the third succeeding annual meeting.

ARTICLE X

A Director may be removed from office only by vote of the holders of two-thirds of the shares entitled to vote at an election of Directors.

ARTICLE XI

These Articles of Incorporation may be amended by vote of the holders of a majority of the shares entitled to vote, except for Article VI, Article VII, Article VIII, Article IX, Article X and this Article XI which may be amended only by vote of the holders of two-thirds of the shares entitled to vote, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

ARTICLE XII

To the fullest extent now or hereafter permitted by law, no director or officer of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for any breach of fiduciary duty as a director or officer. Any amendment or repeal of the foregoing provision shall not adversely affect any right or protection of any director or officer of the corporation existing at the time of such amendment or repeal.

AMENDED AND RESTATED
CERTIFICATE OF DESIGNATION
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
PENNICHUCK CORPORATION

WHEREAS, Pennichuck Corporation, a corporation organized and existing under the General Business Corporation Law of the State of New Hampshire (hereinafter called the "Corporation"), hereby certifies that the Board of Directors of the Corporation (hereinafter called the "Board of Directors" or the "Board") pursuant to the authority granted to and vested in the Board in accordance with the provisions of the Restated Certificate of Incorporation of the Corporation, as amended from time to time (the "Restated Certificate of Incorporation"), created a series of Preferred Stock of the Corporation, no par value per share (the "Series A Junior Participating Preferred Stock"), by resolution at a meeting duly called and held on April 20, 2000 and stated the designation and number of shares, and fixed the relative rights, preferences, and limitations thereof in a certificate of designation (the "Certificate of Designation") filed with the Secretary of State of the State of New Hampshire on such date;

WHEREAS, the Corporation hereby certifies that the Board of Directors, by resolution at a meeting duly called and held on March 22, 2006 approved an amendment to the Restated Certificate of Incorporation increasing to 50,000 the number of shares of Series A Junior Participating Preferred Stock authorized under the Restated Certificate of Incorporation through filing an amended and restated Certificate of Designation with the Secretary of State of the State of New Hampshire that amends and restates the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 50,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year

(each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value \$1.00 per share (the "Common Stock"), of the Corporation or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Restated Certificate of Incorporation, including any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation

ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Restated Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall, at any time after April 20, 2000, declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction,

the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment. The Restated Certificate of Incorporation shall not be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock.

EXHIBIT C

BYLAWS OF PENNICHUCK CORPORATION

ARTICLE I
PRINCIPAL OFFICE

The principal office of the Corporation shall be at Nashua in Hillsborough County in the State of New Hampshire.

ARTICLE II
SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the principal office of the Corporation or at such place within or without the State of New Hampshire as the Board of Directors may designate.

Section 2. Annual Meetings. A meeting of the shareholders of the Corporation for the election of Directors and for the transaction of any other business of the Corporation shall be held annually, at such time and on such date as the Board of Directors may designate.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the laws of the State of New Hampshire, may be called at any time by the Chairman of the Board, the President or a majority of the Board of Directors and shall be called upon the written request of the holders of not less than one-tenth of all the outstanding capital stock of the Corporation entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered at the principal office of the Corporation addressed to the Chairman of the Board, the President or the Secretary not less than sixty days before the date of the meeting.

Section 4. Notice of Meetings and Adjourned Meetings. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the President, the Secretary or the officers or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books or records of the Corporation as of the record date prescribed in Section 5 of this Article II, with postage thereon prepaid. If a shareholder be present

at a meeting, or in writing waives notice thereof before or after the meeting, notice of such meeting to such shareholder shall be unnecessary. When a meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting at which adjournment is taken. If a new record date for the adjourned meeting is fixed, notice of the adjourned meeting shall be given in the manner provided in this Section 4 to persons who are shareholders as of the new record date. A new record date shall be fixed if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

Section 5. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of, or to vote at, any meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purposes, the Board of Directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than seventy days and, in case of a meeting of shareholders, not less than ten days prior to the meeting or other date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. In the absence of a quorum at any meeting, or any adjournment thereof, the shareholders present, in person or by proxy, at such meeting shall have the power to adjourn the meeting from time to time, without further notice, until shareholders holding the requisite number of shares shall be so present. The shareholders present, in person or by proxy, at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 7. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or his duly authorized attorney-in-fact. Any proxy purporting on its face to have been executed by an attorney-in-fact for a shareholder, unless contested prior to its being voted, shall be conclusively presumed to have been duly authorized. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the Board of Directors. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy.

Section 8. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation, if a majority of the shares entitled to vote for the election of Directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 9. Voting of Shares in the Name of Two or More Persons. When ownership of shares of stock stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the shareholders of the Corporation any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such shares and present in person or by proxy at such meeting, but no votes shall be cast for such shares if a majority cannot agree.

Section 10. Voting. Every shareholder entitled to vote at any meeting shall be entitled to cast one vote, in person or by proxy, for each share of stock held by the shareholder. Where title to a share or shares is held by two or more shareholders, such shares shall be voted at a meeting only if all such shareholders are present in person or by proxy and are in agreement as to how such shares shall be voted. Unless otherwise provided by law or in the Corporation's Articles of Incorporation or these Bylaws, a majority of votes cast by shareholders shall be determinative. An authorization of the shareholders for the sale, lease, exchange or other disposition of all of the property and assets, with or without the good will of the Corporation, not in the usual and regular course of business, shall require the affirmative vote of the holders of a two-thirds majority of the shares of the Corporation entitled to vote.

Section 11. Inspectors of Election. In advance of any meeting of shareholders, the Board of Directors may appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment thereof. The number of inspectors shall be either one or three. If the Board of Directors so appoints either one or three such inspectors, that appointment shall not be altered at the meeting. If

inspectors of election are not so appointed, the Chairman of the Board or the President may, and on the request of a majority of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of such votes shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting or at the meeting by the Chairman of the Board or the President.

The duties of such inspectors shall include: determining the total outstanding number of shares of stock and the voting power of each share; the shares of stock represented at the meeting; the existence of a quorum; and the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; and determining the result and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III THE BOARD OF DIRECTORS

Section 1. Number. The Board of Directors shall consist of a number of persons, not less than three nor more than thirteen, to be fixed from time to time by the Board of Directors.

Section 2. Election. Directors shall be elected at the annual meeting of shareholders by a majority of those present, or represented by proxy, and voting. Any vacancy occurring in the Board of Directors in between annual meetings of the shareholders, due to death, resignation or any other cause including an increase in the number of Directors, may be filled by the affirmative vote of a majority of the remaining Directors although less than a quorum of the Board of Directors. The remaining Directors may appoint a person to fill the vacancy until the next annual meeting of shareholders. All Directors shall be sworn to the faithful performance of their duties.

Section 3. Qualification. No Director shall be required to be a shareholder of the Corporation. The President shall be a member of the Board of Directors. Directors shall hold office until their successors in office have been chosen and qualified. No Director shall be eligible for re-election as a Director of the Corporation after such Director shall have attained the age of 72; provided, however, that a majority of the disinterested members of the Board of Directors may waive such requirement upon a determination

that the continued service of such a Director will be beneficial to the Corporation and its shareholders.

Section 4. Removal. Any Director may be removed from office with or without cause by a vote of the holders of two-thirds of the shares entitled to vote at an annual meeting held inter alia for the purpose of electing Directors.

Section 5. Regular Meetings. The Board of Directors shall hold regular meetings not less frequently than quarterly on such dates and at such times as the Board may designate. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of shareholders.

Section 6. Special Meetings. Special meetings of the Board in lieu of or in addition to the regular meetings shall be held at such times as the Chairman of the Board, President or any four Directors may require.

Section 7. Notice. Notice of regular and special meetings shall be sent by the Secretary or President, by mailing, a written notice of such meeting, at least five days prior to the day of the meeting, or by sending notice via electronic transmission, including facsimile or e-mail, at least forty-eight hours prior to the time of the meeting, or by delivering notice in hand or orally by telephone at least twenty-four hours prior to the time of the meeting. Any Director may waive notice of any meeting in writing filed with the Secretary. Notice of the annual meeting of the Board shall not be required.

Section 8. Quorum. No less than a majority of Directors shall constitute a quorum for the transaction of business at the meetings of the Board, and the concurrence of a majority of those present at any meeting shall be necessary to give validity to any vote.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors or by a committee at a meeting may be taken without a meeting if written consent thereto, setting forth the action so taken, shall be signed by all of the Directors or by all of the members of the committee. The consent may be contained in a single document or may be contained in more than one document so long as the documents in the aggregate contain the required signatures.

Section 10. Duties and Powers. The Board of Directors shall be vested with the management and direction of the affairs of the Corporation and shall have and exercise all the powers possessed by the Corporation so far as such delegation of authority is not

inconsistent with the laws of the State of New Hampshire, the Articles of Incorporation and these Bylaws.

Section 11. Executive Committee: Other Committees. The Board of Directors, by resolution adopted by a majority of the full Board, may designate from its members an Executive Committee and one or more other committees each of which, subject to the limitations of the laws of the State of New Hampshire, shall have and may exercise all of the authority of the Board to the extent provided in these Bylaws or in any such resolution.

Section 12. Senior Directors. There shall be a class of Directors known as Senior Directors. Senior Directors, if any, shall be elected by the Directors each year at the annual meeting to fill such positions for the ensuing year and until their successors are duly qualified, or until their death, or until they shall resign or be removed by a vote of a majority of the full Board. Senior Directors shall be entitled to attend meetings of the Board of Directors with the privilege of speech, but they shall not vote.

ARTICLE IV OFFICERS

Section 1. Number. The officers of the Corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer, a Secretary and such other officers as the Directors may, from time to time, determine. Two or more offices may be held by the same person.

Section 2. Election. Each year at the annual meeting of the Board of Directors, the Directors shall determine the number of offices to be filled and shall elect officers to fill such positions for the ensuing year and until their successors are duly qualified, or until their death or until they shall resign or be removed in the manner hereinafter provided. Directors from time to time may fill any vacancy that may exist in any office and may elect such other officers as they may determine to be necessary to manage the affairs of the Corporation. Election or appointment of an officer, employee or agent, shall not of itself create contract rights. The Board of Directors may authorize the Corporation to enter into an employment contract with any officer in accordance with applicable law and regulation, but no such contract shall impair the right of the Board of Directors to remove any officer at any time in accordance with Section 3 of this Article IV. All officers shall be sworn to the faithful performance of their duties. The Directors shall require fidelity bonds for all officers with authority to handle funds or sign checks.

Section 3. Removal. The Board of Directors may at any time suspend the right of any officer to perform such officer's duties and may remove any officer with or without cause at any meeting of the Board by vote of a majority of the full Board, whenever, in its judgment, the best interests of the Corporation will be served thereby, but such removal, other than for cause, shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Duties and Powers. The duties of certain officers shall be as specified in this Section 4, as otherwise provided in these Bylaws, and as determined from time to time by the Board of Directors or the Chief Executive Officer.

a. Chairman of the Board. The Chairman of the Board, if any, may be designated by the Directors as Chief Executive Officer of the Corporation. The Chairman of the Board, if any, shall preside at all meetings of the Board and shall exercise overall supervision of the officers and affairs of the Corporation.

b. President. The President shall be the Chief Executive Officer of the Corporation if the Chairman is not so designated and shall have the general management of the affairs of the Corporation as far as they are not specifically regulated by the shareholders or the Directors, including the Chairman of the Board, if any. The President shall preside at all the meetings of the Board in the absence of the Chairman or if no Chairman shall have been designated by the Directors.

c. Executive Vice President. A Vice President of the Corporation may be designated by the Board as Executive Vice President and in addition to the duties and powers provided in these Bylaws and otherwise delegated by the Board and the Chief Executive Officer, the Executive Vice President shall have the powers of the President during the absence or disability of the President.

d. Treasurer. The Treasurer shall negotiate loans and receive and disburse all other funds of the Corporation, and, for this purpose, shall have authority to sign checks upon any account of the Corporation in any bank or similar type of institution. The Treasurer shall supervise the keeping of the accounts of the Corporation in books which shall be the property of the Corporation and shall cause to be prepared periodic statements of the financial condition of the Corporation and shall submit such statements to the Board.

e. Secretary. The Secretary of the Corporation shall be a resident of the State of New Hampshire. The Secretary shall be registered with the Secretary of State of the State of New Hampshire as the registered agent. The Secretary shall record the proceedings of the meetings of shareholders and Directors showing the names of the

persons present. The Secretary may give notice of all meetings of the shareholders and the Directors required by these Bylaws.

ARTICLE V INDEMNIFICATION

Section 1. Suits, etc., Other Than by or in the Right of the Corporation. The Corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal or administrative or investigative, other than an action by or in the right of the Corporation, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Suits, etc., by or in the Right of the Corporation. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which the person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of

the case, the person is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper.

Section 3. Scope of Indemnification. To the extent that a Director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 above, or in defense of any claim, issue or matter based on Section 1 or 2 above, he shall be indemnified against expenses, including attorneys, fees, actually and reasonably incurred by him in connection therewith.

Section 4. Determination of Indemnification. Any indemnification under Section 1 or 2 above, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or 2 above. This determination shall be made:

- a. By the Board of Directors by a majority of vote of a quorum consisting of Directors who were not parties to the action, suit or proceeding;
- b. By independent legal counsel in a written opinion if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Directors so directs; or
- c. By the shareholders.

Section 5. Payment of Expenses. Expenses, including attorneys' fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of the action, suit or proceeding as authorized in the manner provided in Section 4 above, upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay the amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

Section 6. Other Rights. The indemnification provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of that person.

Section 7. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee, agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against this liability under the provisions of this section.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Documents and Instruments. To the extent permitted by the laws of the State of New Hampshire, and except as otherwise prescribed by these Bylaws with respect to certificates for shares, the Chairman of the Board, President, and Vice President or the Treasurer shall be authorized to execute contracts, deeds, leases and all other documents. Notwithstanding the foregoing, the Board of Directors may by special vote authorize any officer, employee or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by one or more officers, employees or agents of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in any of its duly authorized depositories as the Board of Directors may select.

ARTICLE VII

CERTIFICATES FOR SHARES AND THEIR TRANSFERS; RESTRICTIONS

Section 1. Certificates for Shares. Certificates representing shares of capital stock of the Corporation shall be in such form as shall be determined by the Board of

Directors. Such certificates shall be signed by the Chief Executive Officer or by any other officer of the Corporation authorized by the Board of Directors, attested by the Secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in the case of a lost or destroyed certificate, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Corporation shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record thereof or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporation. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

Section 3. Restrictions. All certificates shall bear a legend giving appropriate notice of any restrictions on sale or other pertinent matters.

ARTICLE VIII PURCHASE OF SHARES; DISTRIBUTION OF CAPITAL SURPLUS

Subject to the provisions of Article IV of the Articles of Incorporation and any other restrictions imposed by law, the Board of Directors may purchase the shares of the Corporation out of unreserved and unrestricted earned surplus and capital surplus of the Corporation available for that purpose and may distribute to its shareholders out of the capital surplus of the Corporation a portion of its assets, in cash or property.

ARTICLE IX FISCAL YEAR; ANNUAL AUDIT

The fiscal year of the Corporation shall be the calendar year. The Corporation shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Board of Directors.

ARTICLE X
INSPECTION OF BOOKS AND RECORDS BY SHAREHOLDERS

The shareholders of the Corporation shall have such right to inspect and copy the books and records of the Corporation as is provided by the New Hampshire Business Corporation Act, N.H. RSA 293-A, or any successor thereto, exercise of which right shall be subject to compliance with all notice or other requirements set forth therein, and subject to payment of reasonable copying or other fees as may be provided therein.

ARTICLE XI
DIVIDENDS

Subject to the laws of the State of New Hampshire, the Board of Directors may, from time to time, declare, and the Corporation may pay, dividends on its outstanding shares of capital stock.

ARTICLE XII
CORPORATE SEAL

The Board of Directors shall provide a corporate seal upon which the name of the Corporation, the year of incorporation and an emblem may appear.

ARTICLE XIII
AMENDMENTS

These Bylaws may be amended at any time by a majority of the full Board of Directors subject to repeal or change only by a vote of the holders of two-thirds of the shares entitled to vote at a meeting expressly called for that purpose, unless any shares of any class entitled to vote as a class are outstanding, in which event the authorization shall require the vote of the holders of two-thirds of the shares of each such class and of the total shares entitled to vote.

These Bylaws reflect amendments voted by the Board of Directors on September 28, 1984; October 31, 1984; March 7, 1986; April 21, 1995; June 9, 1995; January 12,

2001; June 1, 2001; November 15, 2002; and November 22, 2002; March 22, 2006; and August 7, 2008.

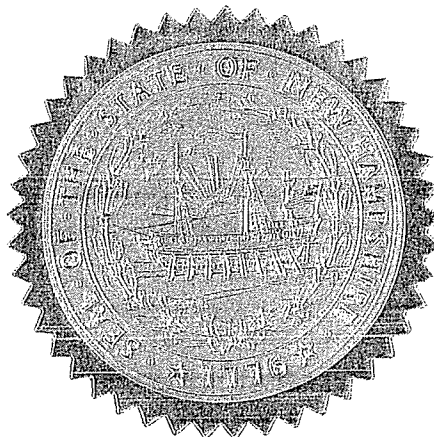
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State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PENNICHUCK WATER WORKS, INC. is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on January 17, 1983. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.



In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 19th day of August, A.D. 2009

A handwritten signature in cursive script, appearing to read "William M. Gardner".

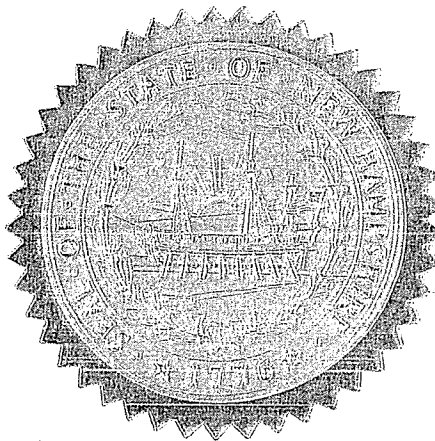
William M. Gardner
Secretary of State

State of New Hampshire

Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify PENNICHUCK CORPORATION is a New Hampshire corporation duly incorporated under the laws of the State of New Hampshire on June 19, 1852. I further certify that all fees and annual reports required by the Secretary of State's office have been received and that articles of dissolution have not been filed.



In TESTIMONY WHEREOF, I hereto
set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 19th day of August, A.D. 2009

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State

DISCLOSURE OF FINANCE CHARGES
STATE DRINKING WATER REVOLVING LOAN FUND
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Pursuant to New Hampshire RSA Chapter 399-B:2

TO: PENNICHUCK WATER WORKS, INC
DATE: April 27, 2009

Amount of Loan: \$1,300,000

Payable: 6 monthly installment of interest only followed by 240 monthly installments of interest and principal as further provided in the Promissory Note of even date of the Borrower (the "Note")

Finance Charges: 1% until the Interest Rate Change Date (as defined in the Note) then lower of (A) 3.7440% or (B) 80 percent of the established 11 General Obligations Bond Index published during the first week of October before the Interest Rate change Date (including a 2% administrative fee)

Late fee: 5% of each payment will be assessed if not paid within 7 days of its due date.

Above interest is based on the number of days elapsed over a 365 day year, as the case may be.

Recording and filing fees:	\$ 0
Title search fee:	\$ 0
Environmental Site Assessment:	\$ 0
Appraisal:	\$ 0

Acknowledged.

PENNICHUCK WATER WORKS, INC.:
Borrower

By: Donald L. Ware
Donald Ware
President

PENNICHUCK CORPORATION
Guarantor

By: Duane C. Montopoli
Name: Duane C. Montopoli
Title: President & CEO

CLOSING AGENDA

STATE OF NEW HAMPSHIRE

DRINKING WATER STATE REVOLVING LOAN FUND
RE: LOAN TO PENNICHUCK WATER WORKS, INC.
(Pursuant to American Recovery and Reinvestment Act of 2009)

DATE: August 27, 2009

- | | |
|---|-------|
| 1. State of New Hampshire | "SNH" |
| 2. Borrower, Pennichuck Water Works, Inc. | "B" |
| 3. Borrower's Counsel, McLane, Graf, Raulerson, & Middleton | "BC" |
| 4. State's Counsel, David Howe | "DH" |

ITEM:

RESPONSIBLE PARTY

- | | |
|---|-----|
| 1. Certified Articles of Incorporation of Borrower | B |
| 2. Certified Articles of Pennichuck Corporation | B |
| 3. Certified Bylaws of Borrower | B |
| 4. Certified Bylaws of Pennichuck Corporation | B |
| 5. Certificate of Existence of Borrower | B |
| 6. Certificate of Existence of Pennichuck Corporation | B |
| 7. Certificate of Corporate Resolution of Borrower | B |
| 8. Certificate of Resolution of Pennichuck Corporation | B |
| 9. Schedule of Costs (Total Budget) (Exhibit B) | B |
| 10. Loan Agreement | SNH |
| 11. Promissory Note | SNH |
| 12. Guaranty of Pennichuck Corporation | SNH |
| 13. Opinion of Counsel to Borrower and Pennichuck Corporation | B |
| 14. 399-B Disclosure | SNH |