MASTER LOAN AGREEMENT

THIS MASTER LOAN AGREEMENT (this "Agreement") is entered into as of February 9, 2010, between **PENNICHUCK EAST UTILITY, INC.,** a New Hampshire corporation (the "Company"), and **CoBANK, ACB,** a federally chartered instrumentality of the United States ("CoBank").

BACKGROUND

From time to time, CoBank may make loans and extend other types of credit to or for the account of the Company. In order to facilitate the making of such loans and other types of credit, the parties are entering into this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01. Definitions. Capitalized terms used in this Agreement and defined in Exhibit A hereto shall have the meanings set forth in that Exhibit.

SECTION 1.02. Rules of Interpretation. The rules of interpretation set forth in Exhibit A shall apply to this Agreement.

ARTICLE 2
THE SUPPLEMENTS

SECTION 2.01. Promissory Notes and Supplements. In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, the parties will enter into a promissory note and supplement hereto (each a "Promissory Note and Supplement"). Each Promissory Note and Supplement will set forth CoBank's commitment to make a loan or loans to the Company, the amount of the loan(s), the purpose of the loan(s), the interest rate or interest rate options applicable to the loan(s), the Company's promise to repay the loans, and any other terms and conditions applicable to the particular loan(s). Each loan will be governed by the terms and conditions set forth in this Agreement and in the Promissory Note and Supplement relating to that loan. In the absence of a Promissory Note and Supplement hereto duly executed by CoBank, CoBank shall have no obligation to make a loan to the Company under this Agreement.

SECTION 2.02. Notice and Manner of Borrowing New Loans. Except as otherwise provided in a Promissory Note and Supplement: (A) loans will be made available on any Business Day upon the telephonic or written request of an authorized employee of the Company (which request, if made telephonically, shall be promptly confirmed in writing if required by CoBank); (B) requests for loans must be received by 12:00 noon Company's local time on the date the loan is to be made; and (C) loans will be made available by wire transfer of immediately available funds to such account or accounts as may be authorized by the Company on forms supplied by CoBank.

SECTION 2.03. Method of Payment. The Company shall make all payments to CoBank under this Agreement and each Promissory Note and Supplement hereto by wire transfer of immediately available funds, by check, or, if specified by separate agreement between the Company and CoBank, by automated clearing house (ACH) or other similar cash handling processes. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 noon Company's local time of its intent to pay by wire, and funds received after 3:00 p.m. Company's local time shall be credited on the next Business Day. Checks shall be mailed to CoBANK, Department 167, Denver, Colorado 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the latter of the next Business Day after receipt of the check or the Business Day on which CoBank receives immediately available funds.

SECTION 2.04. Security and Guaranty.

(A) Security. The Company's obligations hereunder and under each other Loan Document to which the Company is a party (whether executed contemporaneously herewith or at a later date) shall be secured by a statutory first priority Lien on all equity which the Company may now own or hereafter acquire or be allocated in CoBank and all proceeds thereof.

(B) Credit Support. In addition to the above, the Company's obligations hereunder and under each Promissory Note and Supplement hereto shall be guarantied by Pennichuck Corporation (the "Guarantor") pursuant to a guarantee of payment in form and content acceptable to CoBank (as amended or restated from time to time, the "Guaranty").

ARTICLE 3
CONDITIONS PRECEDENT

SECTION 3.01. Conditions Precedent to the Initial Promissory Notes and Supplements Hereto. CoBank's obligation to make a loan or loans under the initial Promissory Note and Supplement hereto (or, in the event that more than one Promissory Note and Supplement is being executed on the date hereof, each initial Promissory Note and Supplement hereto), is subject to the following conditions precedent, which, in the case of instruments and documents, must be in form and content acceptable to CoBank:

(A) This Agreement. CoBank shall have received a duly executed original of this Agreement.

(B) Guaranty and Related Documents. (1) A duly executed original Guaranty; (2) copies, certified by the Secretary of the Guarantor as of the date hereof (or as of another date acceptable to CoBank), of such board resolutions, evidence of incumbency, and other evidence as CoBank may require that the Guaranty has been duly authorized, executed and delivered by the Guarantor; and (3) an opinion of counsel to the Guarantor, which counsel and opinion must be in form and content acceptable to CoBank.

(C) Consent and Agreement. A consent and agreement (the "Consent and Agreement") between the Company, Pennichuck Water Works, Inc. ("PWW"), and CoBank in form and content acceptable to CoBank.

(D) Secretary's Certificate. CoBank shall have received an original certificate of the Secretary of the Company dated as of the date hereof (or as of another date acceptable to CoBank)

attaching and certifying as to each of the following, all of which must be in form and content acceptable to CoBank: (1) the Articles of Incorporation of the Company, certified by the Secretary of State of New Hampshire within 30 days of the date hereof; (2) the Bylaws of the Company; and (3) a certificate of the Secretary of State of New Hampshire issued within 30 days of the date hereof attesting to the due formation and good standing of the Company in the State of New Hampshire.

(C) **Delegation and Wire Transfer Form**. CoBank shall have received a duly executed original delegation and wire transfer authorization form.

(D) **Equity In CoBank.** The Company shall have purchased $1,000 in equity in CoBank.

SECTION 3.02. Conditions to Each Supplement. CoBank's obligation to make the initial loan under each Promissory Note and Supplement hereto (including the initial Promissory Note(s) and Supplement(s) hereto) is subject to the following conditions precedent (which in the case of instruments and documents, must be originals and in form and content acceptable to CoBank):

(A) **Supplement.** CoBank shall have received a duly executed Promissory Note and Supplement and all Loan Documents required by the Promissory Note and Supplement.

(B) **Evidence of Authority.** CoBank shall have received copies, certified by the Secretary of the Company as of the date of the Promissory Note and Supplement (or as of another date acceptable to CoBank), of such board resolutions, evidence of incumbency, and other evidence as CoBank may require that the Promissory Note and Supplement and all Loan Documents executed in connection therewith have been duly authorized, executed and delivered.

(C) **Consents and Approvals.** CoBank shall have received such evidence as CoBank may require that all consents and approvals referred to in Section 4.11 hereof, have been obtained and are in full force and effect.

(D) **Fees and Other Charges.** CoBank shall have received all fees or other charges provided for herein or in the Promissory Note and Supplement.

(E) **Application**. CoBank shall have received a duly executed and completed copy of an application for the credit and all instruments and documents required by the application for credit.

(F) **Insurance.** CoBank shall have received such evidence as CoBank may reasonably require that the Company is in compliance with Section 5.03 hereof.

(G) **Opinion of Counsel.** CoBank shall have received an opinion of counsel to the Company, which counsel and opinion must be reasonably acceptable to CoBank.

SECTION 3.03. Conditions to Each Loan. CoBank's obligation under each Promissory Note and Supplement (including the initial Promissory Note(s) and Supplement(s) hereto) to make any loan to the Company thereunder, including the initial loan, is subject to the conditions precedent that: (A) no Default or Event of Default shall have occurred and be continuing; (B) each of the representations and warranties of the Company set forth herein, in the Promissory Note and Supplement, and in all other Loan Documents shall be true and correct as of the date of the loan; and (C) the Company shall have

satisfied all conditions and requirements set forth in the Promissory Note and Supplement relating to that loan.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

To induce CoBank to enter into and make loans under each Promissory Note and Supplement, the Company represents and warrants that:

SECTION 4.01. Organization, Etc. The Company: (1) is a corporation duly organized, validly existing, and in good standing under the Laws of the State of New Hampshire; (2) has the power and authority to own its assets and to transact the business in which it is engaged or proposes to engage and to enter into and perform the Loan Documents; and (3) is duly qualified to do business in, and is in good standing under the Laws of, each jurisdiction in which such qualification is required.

SECTION 4.02. Loan Documents. This Agreement, the Promissory Note and Supplement, and all other Loan Documents: (1) have been duly authorized, executed and delivered by the Company and each other Person that is a party thereto; and (2) create legal, valid and binding obligations of the Company and each other Person that is a party thereto which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency or similar Laws affecting creditors' rights generally.

SECTION 4.03. Operation of Business. The Company possesses all licenses, certificates, permits, authorizations, approvals, franchises, patents, copyrights, trademarks, trade names, rights thereto, or the like which are material to the operation of its business or required by Law, and the Company is not in violation of the rights of others with respect thereto.

SECTION 4.04. Litigation. Except as disclosed in any application submitted in connection with the Promissory Note and Supplement, there are no pending or threatened actions or proceedings against or affecting the Company before any court, governmental agency, mediator, arbitrator, or the like which could, in any one case or in the aggregate, if adversely decided, have a Material Adverse Effect.

SECTION 4.05. Ownership and Subsidiaries. The Company: (A) is owned 100% by the Guarantor; and (2) has no Subsidiaries.

SECTION 4.06. Financial Statements. The Financial Statements are complete and correct and fairly present the financial condition of the Company, and the results of the operations of the Company as of the date and for the periods covered by such Financial Statements, all in accordance with GAAP consistently applied. Since the date of the most recent Financial Statement, there has been no material adverse change in the condition, financial or otherwise, business or operations of the Company. There are no liabilities of the Company which are material but not reflected in the Financial Statements or in the notes thereto.

SECTION 4.07. Ownership and Liens. The Company has title to, or valid easement or leasehold interests in, all of its properties, real and personal, including the property and leasehold interests reflected in the Financial Statements (other than any property disposed of in the ordinary course of business), and none of the properties or leasehold interests of the Company are subject to any Lien, except such as may be permitted under Section 6.01 of this Agreement.

SECTION 4.08. Compliance with Law. All of the Company's properties and all of its operations, are in compliance in all material respects with all Laws. Without limiting the foregoing, all property owned or leased by the Company, all property proposed to be acquired with the proceeds of the Promissory Note and Supplement, and all operations conducted thereon on all such property, are in compliance in all material respects with all Laws relating to the environment

SECTION 4.09. Environment. Except as disclosed in any application submitted in connection with the Promissory Note and Supplement: (A) no property owned or leased by the Company is being used, or to its knowledge, has been used for the disposal, treatment, storage, processing or handling of hazardous waste or materials (as defined under any applicable environmental Law); (B) no investigation, claim, litigation, proceedings, order, judgment, decree, settlement, Lien or the like with respect to any environmental matter is proposed, threatened, anticipated or in existence with respect to the properties or operations of the Company; and (C) no environmental contamination or condition currently exists on any property of the Company which could delay the sale or other disposition of such property or could have, or already has had, an adverse effect on the value of such property.

SECTION 4.10. ERISA. All plans ("ERISA Plans") of a type described in Section 3(3) of ERISA in respect of which Company is an "Employer", as defined in Section 3(5) of ERISA, are, to the best knowledge of the Company, in substantial compliance with ERISA, and none of such ERISA Plans is insolvent or in reorganization, or has an accumulated or waived funding deficiency within the meaning of Section 412 of the Internal Revenue Code. The Company has not incurred any material liability (including any material contingent liability) to or on account of any such ERISA Plan pursuant to Sections 4062, 4063, 4064, 4201 or 4204 of ERISA. No proceedings have been instituted to terminate any such ERISA Plan.

SECTION 4.11. Consents and Approvals. Except for such as shall have been obtained and are in full force and effect, no consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Company is a party or by which it or any of its property may be bound or affected, is necessary in connection with: (A) the execution, delivery, performance or enforcement of the Loan Documents; and (B) the project, acquisition, or other activity being financed by the Promissory Note and Supplement.

SECTION 4.12. Conflicting Agreements. None of the Loan Documents conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Company is or expects to become a party or by which the Company or any of its properties may be bound or affected, and do not conflict with any provision of the articles of incorporation, bylaws, or other organizational documents of the Company.

SECTION 4.13. Compliance and No Default. The Company is operating its business in compliance with all of the terms of the Loan Documents, and no Default or Event of Default exists.

SECTION 4.14. Applications. Each representation and warranty and all information set forth in the application submitted in connection with, or to induce CoBank to enter into, the Promissory Note and Supplement is correct in all material respects.

SECTION 4.15. Budgets, Etc. All budgets, projections, feasibility studies, and other documentation submitted by or on behalf of the Company to CoBank in connection with, or to induce CoBank to enter into, the Promissory Note and Supplement, are based upon assumptions that are

reasonable and realistic, and no fact has come to light, and no event has occurred, which would cause any material assumption made therein to not be reasonable or realistic.

SECTION 4.16. Water Rights. The Company: (A) has water rights with such amounts, priorities and qualities as are necessary to adequately serve the customers of the Company; (B) controls, owns, or has access to all such water rights free and clear of the interests of any third party; and (C) has not suffered or permitted any transfer or encumbrance of such water rights, has not abandoned such water rights, or any of them, and has not done any act or thing which would impair or cause the loss of any such water rights.

SECTION 4.17. Facilities. The Company's utility facilities: (A) meet present demand in all material respects; (B) are constructed in a good and professional manner; (C) are in good working order and condition; and (D) comply in all material respects with all applicable Laws.

SECTION 4.18. Rate Matters. (A) The Company's rates for water and/or wastewater services are subject to rate regulation by the Public Utilities Commission of the State of New Hampshire; and (B) there is no pending and, to the Company's knowledge, threatened action or proceeding before any court or governmental authority, the objective or result of which is or could be to: (1) reduce or otherwise adversely change any of the Company's rates for the provision of water and/or wastewater services; (2) limit or revoke any of the Company's permits or other authorizations to conduct business; or (3) except as disclosed in any application submitted in connection with the Promissory Note and Supplement, otherwise have a Material Adverse Effect.

SECTION 4.19. Enforcement Actions. The Company is not subject to any Enforcement Action and, to the knowledge of the Company, no such actions have been threatened or are contemplated.

SECTION 4.20. Taxes. The Company has timely and properly filed all tax returns (federal, state and local) that were required to be filed, and has paid any taxes, assessments, and other governmental charges, including interest and penalties. There are no audits pending or, to the knowledge of the Company, threatened against the Company.

ARTICLE 5
AFFIRMATIVE COVENANTS

Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company agrees to:

SECTION 5.01. Maintenance of Existence, Etc. Preserve and maintain its existence and good standing in the jurisdiction of its formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, permits, franchises, patents, copyrights, trademarks, tradenames, or rights thereto which are material to the conduct of its business or required by Law.

SECTION 5.02. Compliance With Laws. Comply in all material respects with all applicable Laws (including all Laws relating to the environment). In addition, the Company agrees to cause all Persons occupying or present on any of its properties to comply in all material respects with all such Laws.

SECTION 5.03. Insurance. Maintain insurance with financially sound and reputable insurance companies or associations reasonably acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same business and similarly situated, and make such increases in the amounts or coverage thereof as CoBank may from time to time require. Without limiting the foregoing, in the event any property of the Company is located in a flood zone, then the Company shall obtain such flood insurance as may be required by CoBank. All policies insuring any collateral shall have lender or mortgagee loss payable clauses or endorsements in form and content acceptable to CoBank. At CoBank's request, the Company agrees to deliver to CoBank such proof of compliance with this Section as CoBank may require.

SECTION 5.04. Property Maintenance. Maintain all of its properties that are necessary to or useful in the proper conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and make all alterations, improvements and replacements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. The Company agrees that at CoBank's request, which request may not be made more than once a year, the Company will furnish to CoBank a report on the condition of the Company's property prepared by a professional engineer satisfactory to CoBank.

SECTION 5.05. Books and Records. Keep adequate records and books of account in which complete entries will be made in accordance with GAAP.

SECTION 5.06. Reports and Notices. Furnish to CoBank:

(A) Annual Financial Statements. As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual consolidated and consolidating financial statements of the Company and its consolidated subsidiaries, if any, prepared in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company). Such financial statements shall: (a) be audited by independent certified public accountants selected by the Company and acceptable to CoBank; (b) be accompanied by a report of such accountants containing an opinion thereon acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto. Notwithstanding the foregoing, the delivery within the time period specified above of the Guarantor's Annual Report on Form 10-K for such fiscal year containing consolidating information on the Company (together with the Guarantor's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 of the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described above, shall be deemed to satisfy the requirements of this Section 5.06(A);

(B) Quarterly Financial Statements. As soon as available, but in no event more than 60 days after the end of each fiscal quarter of the Company occurring during the term hereof (other than the last fiscal quarter in each fiscal year), such Company prepared quarterly financial statements as CoBank may from time to time request.

(C) Annual Officer's Certificate. Together with each set of financial statements delivered to CoBank pursuant to Subsection (A) of this Section 5.06, a duly completed and executed certificate of the Chief Financial Officer of the Company in the form attached hereto as Exhibit B.

(D) Annual Budgets. As soon as available, but in no event more than 90 days after the beginning of each fiscal year of the Company, an annual budget and forecast of operations and capital expenditures for the Company for such year, which budget must be in form and content reasonably acceptable to CoBank.

(E) Notice of Litigation, Material Matters, Etc. Promptly after becoming aware thereof, notice of: (1) the commencement of any action, suit or proceeding before any court, governmental instrumentality, arbitrator, mediator or the like which, if adversely decided, could have a Material Adverse Effect; (2) the commencement of any Enforcement Action; (3) the receipt of any notice, indictment, pleading, or other communication alleging a condition that may require the Company to undertake or to contribute to a clean-up or other response under any environmental Law, or which seeks penalties, damages, injunctive relief, or other relief as a result of an alleged violation of any such Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (4) the occurrence of any other event or matter (including the rendering of any order, judgment, ruling and the like) which could have a Material Adverse Effect.

(F) Notice of Default. Promptly after becoming aware thereof, notice of the occurrence of a Default or an Event of Default.

(G) Notice of Certain Events. At least 60 days prior thereto notice of any change in the: (1) principal place of business of the Company; or (2) the office where the records concerning the Company's accounts are kept.

(H) Other Notices. Such other notices as may be required by any Promissory Note and Supplement or any other Loan Document.

(I) Other Information. Such other information regarding the condition or operations, financial or otherwise, of the Company as CoBank may from time to time reasonably request, including, but not limited to, budgets, interim financial statements, and copies of all pleadings, notices and communications referred to in Section 5.06(E) hereof.

SECTION 5.07. Conduct of Business. Engage in an efficient and economical manner in the business conducted by it on the date hereof.

SECTION 5.08. Capital. Acquire equity in CoBank in such amounts and at such times as CoBank may from time to time require in accordance with its bylaws and capital plan (as each may be amended from time to time), except that the maximum amount of equity that the Company may be required to purchase in connection with a loan may not exceed the maximum amount permitted by CoBank's bylaws at the time the Promissory Note and Supplement relating to such loan is entered into or such loan is renewed or refinanced by CoBank. The rights and obligations of the parties with respect to such equity and any patronage or other distributions made by CoBank shall be governed by CoBank's bylaws and capital plan (as each may be amended from time to time).

SECTION 5.09. Inspection. Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine the properties, books and records of the Company, and to discuss its affairs, finances and accounts with its officers, directors, and independent certified public accountants.

SECTION 5.10. Water Rights, Title to Property, Etc. (A) Obtain and maintain water rights in such amounts, priorities and qualities as are necessary at all times to meet the needs of its customers; (B) obtain and maintain title to, valid leasehold interests in, or other valid interests (including easements, licenses and servitudes) in, all real property on which all water wells, reservoirs, water and wastewater treatment plants, and warehouse and storage facilities are located; (C) keep all water rights and discharge rights free and clear of any interest of any third party; and (D) not suffer or permit any transfer or encumbrance of any water rights or discharge rights, or abandon any water rights or discharge rights, or do any act or thing which would impair or cause the loss of any water rights or discharge rights.

ARTICLE 6
NEGATIVE COVENANTS

Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company will not:

SECTION 6.01. Liens. Create, incur, assume, or suffer to exist any Lien on any of its properties, except:

(A) Liens in favor of other lenders; provided, however, that: (1) at the time thereof, CoBank is granted a Lien on the same assets and such Lien is shared pro rata by CoBank and such other lenders pursuant to an intercreditor agreement in form and substance reasonably satisfactory to CoBank; and (2) the instruments and documents granting and/or perfecting such Lien are in form and content reasonably satisfactory to CoBank.

(B) Liens for taxes or assessments or other governmental charges or levies if not yet due and payable or, if due and payable: (i) the Company is contesting same in good faith by appropriate proceedings; (ii) the Company has established and maintains reserves in the amount due and payable thereon (including interest and penalties); and (iii) foreclosure or other action to enforce the Lien is stayed.

(C) Liens in favor of mechanics, landlords, material suppliers, warehouses, carriers, and like Persons that secure obligations that are not past due or if due and payable: (i) the Company is contesting same in good faith by appropriate proceedings; (ii) the Company has established and maintains reserves in the amount due and payable thereon (including interest and penalties); and (iii) foreclosure or other action to enforce the Lien is stayed.

(D) Deposits and pledges under workers' compensation, unemployment insurance, Social Security, or similar legislation (other than ERISA).

(E) Deposits and pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), public and statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations, in each case arising in the ordinary course of business.

(F) Judgment and similar Liens arising in connection with court proceeding, provided the execution or other enforcement of such Liens is effectively stayed, the claims secured thereby are being actively contested in good faith and by appropriate proceedings, and reserves in the amount secured thereby (including interest and penalties) are established and maintained by the Company.

(G) Easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment by the Company of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto.

(H) Purchase money Liens on trucks and other rolling stock and the proceeds thereof to secure debt permitted under Section 6.02(E) hereof.

SECTION 6.02. Debt. Create, incur, assume, or suffer to exist, any indebtedness or liability for borrowed money or for the deferred purchase price of property or services or for letters of credit, except that, as long as the Company is and remains in compliance with Article 7 hereof, for: (A) debt of the Company to CoBank; (B) debt to the New Hampshire State Revolving Fund incurred to finance the expansion of the Company's water utility facilities; (C) debt to the Guarantor; provided, however, that such debt is subordinate to all obligations of the Company to CoBank on terms and conditions satisfactory to CoBank; (D) accounts payable to trade creditors incurred in the ordinary course of business; (E) purchase money indebtedness and capital leases in an aggregate principal amount not to exceed, at any one time outstanding, $200,000; and (F) obligations of the Company with respect to tax exempt debt obligations issued by the State of New Hampshire or any agency or department thereof in order to finance the expansion of the Company's water utility facilities.

SECTION 6.03. Sale, Transfer or Lease of Assets. Sell, transfer, lease or otherwise dispose of any of its assets except for: (A) the sale of water and wastewater services in the ordinary course of business; and (B) the sale, lease or other disposition of equipment which is: (1) obsolete, worn-out or no longer necessary for, or useful in, the provision of water and wastewater services to customers in its service territories; and (2) not occasioned by the discontinuance of service to any portion of its service territory.

SECTION 6.04. Distributions. Declare or pay, directly or indirectly, any Distribution unless after giving effect thereto: (A) no Default or Event of Default will exist (including as a result of a breach of any financial covenant set forth in Article 7 hereof); and (B) the Company will have a Total Debt to Total Capitalization Ratio of less than 65%.

SECTION 6.05. Contingent Liabilities. Assume, guarantee, endorse, or otherwise be or become directly or contingently responsible or liable for the obligations of any Person (including by means of an agreement to: (A) purchase any obligation, stock, assets, or services; (B) supply or advance any funds, assets, or services; or (C) cause any Person to maintain a minimum working capital or net worth or other financial test), except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

SECTION 6.06. Mergers, Etc. Merge or consolidate with any other Person or acquire all or a material part of the assets of any other Person, or change the jurisdiction of its formation, except for mergers or acquisitions where: (A) the Company is the surviving entity; and (B) the Person merged into the Company or whose assets were acquired was a regulated water system or a water system owned by the Guarantor.

SECTION 6.07. Change in Business, Etc.. Engage in any business activities or operations substantially different from or unrelated to its present business activities or operations or make any change in the Company's name, structure, jurisdiction of formation, or organizational number (if any).

SECTION 6.08. Prepayment. While any Default or Event of Default shall have occurred and be continuing, prepay, directly or indirectly, any debt (other than debt to CoBank).

SECTION 6.09. Investments. Make any loan or advance to, or deposit any funds of the Company in, or purchase or otherwise acquire any capital stock, obligations, or other securities of, or make any capital contribution to, or otherwise invest in or acquire any interest in, any Person (including a Subsidiary), or participate as a partner or joint venturer with any other Person (collectively, "Investments"), except: (A) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof; (B) commercial paper of a domestic issuer rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investors Service, Inc.; and (C) intercompany loans made in accordance with the Money Pool Agreement; and (D) Investments in CoBank.

SECTION 6.10. Certain Agreements. Amend, alter, waive any provision of, breach or terminate any agreement (or accept any termination by the other party) if such action could reasonably be expected to have a Material Adverse Effect.

SECTION 6.11. Transactions with Affiliates. Enter into any transaction with an Affiliate except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to the Company than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

ARTICLE 7
FINANCIAL COVENANTS

Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect:

SECTION 7.01. Debt Service Coverage Ratio. The Company shall have for each fiscal year of the Company, a Debt Service Coverage Ratio of not less than 1.25 to 1.00.

SECTION 7.02. Total Debt to Total Capitalization Ratio. The Company shall have at the end of each fiscal year of the Company, a Total Debt to Total Capitalization Ratio of not more than .65 to 1.00.

SECTION 7.03. Fiscal Year. The Company will not change its fiscal year.

ARTICLE 8
EVENTS OF DEFAULT

Each of the following shall constitute an "Event of Default" hereunder:

SECTION 8.01. Payment Default. The Company should fail to make when due any payment to CoBank hereunder, under any Promissory Note and Supplement, or under any other Loan Document.

SECTION 8.02. Representations and Warranties, Etc. Any opinion, certificate or like document furnished to CoBank by or on behalf of the Company, or any representation or warranty made or deemed made by the Company herein or in any other Loan Document, shall prove to have been false or misleading in any material respect on or as of the date furnished, made or deemed made.

SECTION 8.03. Covenants. The Company should fail to perform or comply with any covenant set forth in Article 5 hereof (other than Sections 5.01, 5.06(F) and 5.10) and such failure continues for 30 days after written notice thereof shall have been delivered to the Company by CoBank.

SECTION 8.04. Other Covenants and Agreements. The Company should fail to perform or comply with Sections 5.01, 5.06(F) or 5.10, or any other covenant or agreement contained herein or in any Promissory Note and Supplement, or shall use the proceeds of any loan for any unauthorized purpose.

SECTION 8.05. Cross Default. The Company should, after any applicable grace period, breach or be in default under the terms of any other Loan Document, any other agreement with CoBank, or any agreement with any affiliate of CoBank, including the Farm Credit Leasing Services Corporation.

SECTION 8.06. Other Indebtedness. The Company should fail to pay when due any indebtedness to any other person or entity for borrowed money or any long-term obligation for the deferred purchase price of property (including any capitalized lease), or any other event occurs which, under any agreement or instrument relating to such indebtedness or obligation, has the effect of accelerating or permitting the acceleration of such indebtedness or obligation, whether or not such indebtedness or obligation is actually accelerated or the right to accelerate is conditioned on the giving of notice, the passage of time, or otherwise.

SECTION 8.07. Judgments. A judgment, decree, or order for the payment of money shall have been rendered against the Company and either: (A) enforcement proceedings shall have been commenced; (B) a Lien having priority over any Lien of CoBank shall have been obtained; or (C) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, bonded, discharged, satisfied, or stayed pending appeal.

SECTION 8.08. Insolvency, Etc. The Company shall: (A) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (B) suspend its business operations or a material part thereof; or (C) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (D) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian, or a trustee, receiver, or other custodian is appointed for all or any part of its property; (E) have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction; or (F) make an assignment for the benefit of creditors or commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

SECTION 8.09. Casualty or Condemnation. All or a material portion of the assets of the Company: (A) are destroyed in a casualty or like event (regardless of the cause); or (B) are actually taken in a condemnation action or proceeding or in a like proceeding or are sold or otherwise transferred in lieu thereof or pursuant to any right of any governmental authority to direct the sale of transfer thereof.

SECTION 8.10. Material Adverse Change. Any material adverse change occurs, as reasonably determined by CoBank, in the condition, financial or otherwise, operations, business or properties of the Company or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

SECTION 8.11. Changes in Ownership. The Company shall cease to be owned 100% by the Guarantor or 50% or more of the voting stock in the Guarantor should be acquired by a Person or a Person and one or more Affiliates of that Person.

SECTION 8.12. Guaranty, Etc. The Guaranty shall, at any time, cease to be in full force and effect, or shall be revoked or declared null and void, or the validity or enforceability thereof shall be contested by the Guarantor, or the Guarantor shall deny any further liability or obligation thereunder, or shall fail to perform its obligations thereunder, or any representation or warranty set forth therein shall be breached, or the Guarantor shall breach or be in default under the terms of any other agreement with CoBank (including any loan agreement or security agreement), or an Event of Default of the type set forth in Sections 8.06 through 8.10 hereof shall occur with respect to the Guarantor.

SECTION 8.13. PWW. The Consent and Agreement shall, at any time, cease to be in full force and effect, or shall be revoked or declared null and void, or the validity or enforceability thereof shall be contested by PWW, or PWW shall deny any further liability or obligation thereunder, or shall fail to perform its obligations thereunder, or an Event of Default of the type set forth in Sections 8.06, 8.07, 8.08, 8.09(A), or 8.10 hereof shall occur with respect to PWW, or an Event of Default of the type referred to in Sections 8.09(B) or 8.11 shall occur with respect to PWW and, in CoBank's sole discretion, such event could have a material adverse effect on the condition, financial or otherwise, operations, business or properties of the Company or in its ability to conduct is business or perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

ARTICLE 9
REMEDIES UPON DEFAULT

SECTION 9.01. Remedies. Upon the occurrence and during the continuance of a Default or Event of Default, CoBank shall have no obligation to make any loan to the Company and may discontinue doing so at any time without prior notice. In addition, upon the occurrence and during the continuance of an Event of Default, CoBank may, upon notice to the Company:

(A) Termination and Acceleration. Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, the Promissory Notes and Supplements, and all other Loan Documents to be immediately due and payable; provided, however, that upon the occurrence of an Event of Default under Section 8.08(F), any commitments shall automatically be terminated and all such amounts shall automatically become due and payable. Upon such a declaration (or automatically, as provided above), the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company.

(B) Enforcement. Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any other Loan Document, or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank and any balances held in any account maintained at CoBank (whether or not such balances are then due).

(C) **Application of Funds.** Apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding the terms of any Promissory Note and Supplement, upon the occurrence and during the continuance of an Event of Default, the unpaid principal balance of the loans and, to the extent permitted by Law, overdue interest, fees and other charges, shall, at CoBank's option in each instance (and automatically following an acceleration), accrue interest at the Default Rate.

ARTICLE 10
MISCELLANEOUS

SECTION 10.01. Broken Funding Surcharge. Notwithstanding the terms of any Promissory Note and Supplement, the Company agrees to: (A) give CoBank not less than three (3) Business Days' prior notice in the event it desires to repay any loan balance bearing interest at a fixed rate prior to the last day of the fixed rate period; and (B) pay to CoBank a broken funding surcharge in the amount set forth below in the event the Company: (1) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (2) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (3) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge shall be in an amount equal to the greater of (i) the sum of the present value of: (a) any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (b) a per annum yield of ½ of 1% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, or (ii) $300.00. Such surcharge shall be determined and calculated in accordance with methodology established by CoBank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

SECTION 10.02. Complete Agreement, Amendments, Etc. The Loan Documents are intended by the parties to be a complete and final expression of their agreement. NO AMENDMENT, MODIFICATION, OR WAIVER OF ANY PROVISION OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS, AND NO CONSENT TO ANY DEPARTURE BY THE COMPANY HEREFROM OR THEREFROM, SHALL BE EFFECTIVE UNLESS APPROVED BY COBANK AND CONTAINED IN A WRITING SIGNED BY OR ON BEHALF OF COBANK, AND THEN SUCH WAIVER OR CONSENT SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE AND FOR THE SPECIFIC PURPOSE FOR WHICH GIVEN. In the event this Agreement is amended or restated, each such amendment or restatement shall be applicable to all Promissory Notes and Supplements hereto. Each Promissory Note and Supplement shall be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Promissory Note and Supplement (or in any amendment to this Agreement or Promissory Note and Supplement) and not otherwise defined in the Promissory Note and Supplement (or amendment) shall have the meaning set forth herein.

SECTION 10.03. Applicable Law, Jurisdiction. Except to the extent governed by applicable federal Law, the Laws of the State of Colorado, without reference to choice of law doctrine, shall govern: (A) this Agreement and each Promissory Note and Supplement; (B) all disputes and matters between the parties to this Agreement; and (C) the rights obligations of the parties to this Agreement. The parties

agree to submit to the non-exclusive jurisdiction of any federal or state court sitting in Colorado for any action or proceeding arising out of or relating to this Agreement or any other Loan Document. The Company hereby waives any objection that it may have to any such action or proceeding on the basis of forum non-conveniens.

SECTION 10.04. Notices. All notices hereunder shall be in writing and shall be deemed to have been duly given upon delivery if personally delivered or sent by overnight mail or by facsimile or similar transmission, or three (3) days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address as either party may specify by like notice):

If to CoBank, as follows:
CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Facsimile: (303) 740-4002
Attention: Energy & Water Group

If to the Company, as follows:
Pennichuck East Utility, Inc.
25 Manchester Street
Merrimack, New Hampshire 03054
Facsimile: (603) 913-2305
Attention: President

SECTION 10.05. Costs, Expenses, and Taxes. To the extent allowed by Law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained by CoBank) incurred by CoBank in connection with the origination, administration, interpretation, collection, and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in perfecting, maintaining, determining the priority of, and releasing any security for the Company's obligations to CoBank, all title insurance premiums and other charges, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

SECTION 10.06. Effectiveness and Severability. This Agreement shall continue in effect until: (A) all indebtedness and obligations of the Company under this Agreement and the other Loan Documents shall have been paid or satisfied; (B) CoBank has no commitment to extend credit to or for the account of the Company under any Promissory Note and Supplement; (C) all Promissory Notes and Supplements shall have been terminated; and (D) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof.

SECTION 10.07. Other Types of Credit. From time to time, CoBank may issue letters of credit or extend other types of credit to or for the account of the Company. In the event the parties desire to do so under the terms of this Agreement, then the agreement of the parties with respect thereto may be set forth in a Promissory Note and Supplement to this Agreement and this Agreement shall be applicable thereto as if such letters of credit or other types of credit were loans.

SECTION 10.08. Indemnification. The Company agrees to indemnify, defend and hold harmless CoBank, its participants, and its and their respective officers, directors, shareholders, employees, and agents (collectively, the "Indemnitees") from and against any and all claims, obligations, liabilities, losses, damages, injuries (to persons or property), penalties, actions, suits, judgments, costs and expenses (including reasonable attorney's fees) of whatever kind or nature, whether or not well founded, meritorious or unmeritorious, which are demanded, asserted or claimed against any such Indemnitee in any way relating to, or arising out of, or in connection with this Agreement or the other Loan Documents, including: (A) all claims arising in connection with the release, presence, removal, and

disposal of all Hazardous Materials located on any property of the Company; (B) any claims, suits, or liabilities against the Company; and (C) the failure to pay any taxes as and when due. The foregoing indemnities shall not apply with respect to an Indemnitee to the extent arising as a result of the gross negligence or willful misconduct of such Indemnitee. The indemnification provided for hereunder shall survive the termination of this Agreement.

SECTION 10.09. [Intentionally Omitted]

SECTION 10.10. Patriot Act Notice. CoBank hereby notifies the Company that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "Patriot Act"), it and its affiliates are required to obtain, verify and record information that identifies the Company, which information includes the name, address, tax identification number and other information regarding the Company that will allow CoBank to identify the Company in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective for CoBank and its affiliates.

SECTION 10.11. Counterparts; Electronic Delivery. Counterparts. This Agreement may be executed in any number of counterparts and by different parties to this Agreement in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement. In addition, if agreeable to CoBank, signature pages may be delivered by facsimile.

SECTION 10.12. Successors and Assigns. This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of CoBank. CoBank may sell or assign its rights and obligations hereunder and under the other Loan Documents or may sell participations in its rights and obligations hereunder and under the Loan Documents to any Person, and, in connection therewith, disclose financial and other information on the Company and its Affiliates. Patronage distributions in the event of a sale shall be governed by CoBank's bylaws and capital plan (as each may be amended from time to time). A sale of a participation interest may include certain voting rights of the participants regarding the loans hereunder (including without limitation the administration, servicing and enforcement thereof). CoBank agrees to give written notification to the Company of any sale hereunder.

SECTION 10.13. Headings. Captions and headings used in this Agreement are for reference and convenience of the parties only, and shall not constitute a part of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: _____

Title: Assistant Corporate Secretary
Irene Matlin

PENNICHUCK EAST UTILITY, INC.

By: Donald L. Ware

Title: President - Regulated Utilities

EXHIBIT A

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01 Definitions. As used in the Agreement, any amendment thereto, or in any Promissory Note and Supplement, the following terms shall have the following meanings:

Affiliate shall mean any Person: (1) which directly or indirectly controls, or is controlled by, or is under common control with, the Company; (2) which directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of, or other interests in, the Company; or (3) five percent (5%) or more of the voting stock of, or other interest in, which is directly or indirectly beneficially owned or held by the Company. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Agreement shall mean this Master Loan Agreement.

Business Day means any day other than a Saturday, Sunday, or other day on which CoBank or any of the Federal Reserve Banks are closed for business.

Capital Lease shall mean a lease which should be capitalized on the books of the lessee in accordance with GAAP.

CoBank shall mean CoBank, ACB and its successors and assigns.

CoBank Base Rate shall mean the rate of interest established by CoBank from time to time as its CoBank Base Rate, which rate is intended to be a reference rate and not its lowest rate. The CoBank Base Rate shall change on the date established by CoBank as the effective date of each such change.

Company shall have the meaning set forth in the introductory paragraph of the Agreement.

Consent and Agreement shall have the meaning set forth in Section 3.01(C) hereof.

Debt Service Coverage Ratio shall mean the ratio of: (1) net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss) plus depreciation expense, amortization expense, and interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (2) all principal payments due within the period on all Long-Term Debt plus interest expense (all as calculated on a consolidated basis for the applicable fiscal year in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company.

Default shall mean the occurrence of any event which with the giving of notice or the passage of time or the occurrence of any other condition would become an Event of Default under the Agreement, including the occurrence of an event giving rise to the right to accelerate any indebtedness referred to in Section 8.06 of the Agreement (whether or not such right is conditioned upon the giving of notice and/or the passage of time and/or the occurrence of any other condition).

Default Rate shall mean: (1) in the case of principal, 4% per annum in excess of the rate(s) that would otherwise be in effect on the loans under the Promissory Notes and Supplements; and (2) in the case of overdue interest, fees and other charges, 4% per annum in excess of the CoBank Base Rate, as in effect from time to time.

Distribution shall mean the payment of any dividend or distribution of any kind to its shareholders or other owners, whether in cash, assets, obligations or otherwise, and whether paid directly or indirectly, such as by a reduction in or a rebate of rates or the purchase or redemption of any equity or other securities or interests in the Company, or the purchase of any assets or services for a price that exceeds the fair market value thereof.

Dollars and the sign **"$"** shall mean lawful money of the United States of America.

Enforcement Action shall mean a formal judicial or administrative proceeding filed by any governmental authority to enforce any Law.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereof.

ERISA Plans shall have the meaning set forth in Section 4.10 of the Agreement.

Event of Default shall mean any of the events specified in Article 8 of the Agreement and any event specified in any Promissory Note and Supplement or other Loan Document as an Event of Default.

Financial Statements shall mean: (1) in the case of the initial Promissory Note(s) and Supplement(s) to the Agreement, the financial statements furnished to CoBank in connection with the initial Promissory Note(s) and Supplement(s); and (2) in the case of each other Promissory Note and Supplement to the Agreement, the most recent annual financial statements furnished to CoBank pursuant to Sections 5.06(A) of the Agreement.

GAAP shall mean generally accepted accounting principles in the United States.

Guarantor shall have the meaning set forth in Section 2.04(B) hereof.

Guaranty shall have the meaning set forth in Section 2.04(B) hereof.

Indemnitees shall have the meaning set forth in Section 10.08 hereof.

Investments shall have the meaning set forth in Section 6.09 of the Agreement.

Laws shall mean all laws, rules, regulations, codes, orders and the like.

Lien shall mean any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement, charge or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

Loan Documents shall mean this Agreement, all Promissory Notes and Supplements, and all instruments or documents relating to this Agreement or the Promissory Notes and Supplements, including, without limitation, all applications, certificates, opinions of counsel, mortgages, deeds of trust, security agreements, guaranties, interest rate risk management agreements (including the ISDA 2002 Master Agreement and all schedules thereto),and pledge agreements.

Long-Term Debt shall mean for the Company on a consolidated basis the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP, and (d) indebtedness or obligations guarantied by the Company or secured by any Lien on any property of the Company, in each case having a maturity of more than one year from the date of its creation or having a maturity within one year from such date but that is renewable or extendible, at the Company's option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

Material Adverse Effect shall mean a material adverse effect on the condition, financial or otherwise, operations, properties, margins or business of the Company or any Subsidiary or on the ability of the Company or any Subsidiary to perform its obligations under the Loan Documents.

Money Pool Agreement shall mean that certain Money Pool Agreement dated as of January 1, 2006, among the Guarantor, the Company, PWW, and other affiliates of the Guarantor.

Net Worth shall mean the difference between total assets less total liabilities (both as determined on a consolidated basis in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company).

Person shall mean an individual, partnership, limited liability company, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

Promissory Note and Supplement shall have the meaning set forth in Section 2.01 of the Agreement.

PWW shall have the meaning set forth in Section 3.01(C) hereof.

Subsidiary shall mean, as to the Company, a corporation, partnership, limited liability company, joint venture, or other Person of which shares of stock or other equity interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company, joint venture, or other Person are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by the Company.

Total Capitalization shall mean Total Debt plus Net Worth; except that in determining Total Capitalization, contributions in aid of construction, advances for construction, customer deposits, or similar items reducing rate base calculations shall be excluded.

Total Debt shall mean for the Company on a consolidated basis the sum of the following as of the end of the fiscal year: (a) all indebtedness for borrowed money or for the deferred purchase price of property or services (other than accounts payable to trade creditors incurred in the ordinary course of business), (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, (c) that portion of obligations with respect to Capital Leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP; (d) debt secured by a Lien on any assets of the Company or its Subsidiaries (whether or not the debt has been assumed); and (e) all obligations guarantied by the Company or any Subsidiary.

Total Debt to Capitalization Ratio shall mean a ratio of Total Debt at the end of the fiscal year to Total Capitalization at the end of the fiscal year.

SECTION 1.02 Rules of Interpretation. The following rules of interpretation shall apply to the Agreement, all Promissory Notes and Supplements, and all amendments to either of the foregoing:

Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

Number. All terms stated in the singular shall include the plural, and all terms stated in the plural shall include the singular.

Including. The term "including" shall mean including, but not limited to.

Default. The expression "while any Default or Event of Default shall have occurred and be continuing" (or like expression) shall be deemed to include the period following any acceleration of the obligations (unless such acceleration is rescinded).

Permitted Encumbrances. CoBank's consent to the Company having one or more Liens on all or any portion of its assets, shall not be construed to be an agreement to subordinate its Lien on those assets to the extent that such Lien is not otherwise entitled to priority under Law.

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: **COBANK, ACB**

FROM: **PENNICHUCK EAST UTILITY, INC.**

DATE: **_____, 20____**

SUBJECT: **COMPLIANCE CERTIFICATE FOR FISCAL PERIOD ENDING ON _____, 20___.**

Reference is hereby made to that certain Master Loan Agreement dated as of February 9, 2010 (the "Credit Agreement"), between **PENNICHUCK EAST UTILITY, INC.** (the "Company") and **COBANK, ACB** ("Lender"). Capitalized terms used in this certificate and not defined herein shall have the meanings given to those terms in the Credit Agreement.

I am the _____[1] of the Company and am furnishing this Certificate to you pursuant to Section 5.06(C) of the Credit Agreement.

Attached hereto are the annual financial statements required by Section 5.06(A) of the Credit Agreement. The undersigned hereby certifies that the annual financial statements present fairly, in all material respects, the financial conditions and results of operations of the Company in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company, if any).

In addition to the above, attached hereto is a certificate calculating the financial covenants set forth in Article 7 of the Credit Agreement. The undersigned hereby certifies that the financial covenants were calculated in a manner consistent with the requirements of the Credit Agreement.

I hereby certify that a review in reasonable detail of the activities of Company during the period covered by the financial statements attached hereto has been made or caused to be made under my supervision and that [*please check one of the following boxes and, if the second box is checked, complete the information required thereunder*]:

[ ] Such review has not disclosed the existence during or at the end of the period covered by the financial statements of any condition or event which constitutes a Default or an Event of Default;

[ ] Such review has disclosed the existence of the following Default(s) and/or Event(s) of Default [*specify the nature and period of existence thereof and what action the Company has taken, is taking and proposes to take with respect thereto*]: _____.

_____
(Signature)

_____
(Print Name)

Chief Financial Officer
(Title)

[1] Must be from the Chief Financial Officer

PENNICHUCK EAST UTILITY, INC.

FINANCIAL COVENANT CERTIFICATE

For fiscal year ending on _____

The undersigned hereby certifies to **COBANK, ACB** that set forth below are: (1) the financial ratios that the Company was required to achieve for the fiscal year end covered by this Certificate; and (2) the actual results achieved by the Company:

RATIO	Required	Achieved
Debt Service Coverage Ratio: • net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss): $_____ • plus depreciation expense: $_____ • plus amortization expense: $_____ • plus interest expense: $_____ • minus non-cash income from subsidiaries and/or joint ventures: ($_____) • divided by the sum of: all principal payments due within the period on all Long-Term Debt $_____plus interest expense: $_____	1.25 to 1.00	
Ratio of Total Debt to Total Capitalization: • Total Debt at end of year: $_____ • Net Worth at end of year: $_____	Not greater than.65 to 1.00	

All of the above ratios were calculated in accordance with the terms of the Master Loan Agreement.

PENNICHUCK EAST UTILITY, INC.

By: _____

Its: Chief Financial Officer

PROMISSORY NOTE AND SUPPLEMENT
(Revolving Term Loan)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") is entered into as of February 9, 2010, between **PENNICHUCK EAST UTILITY, INC.,** a New Hampshire corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank"), and supplements the Master Loan Agreement dated as of February 9, 2010 (as amended or restated from time to time, the "MLA").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make loans (the "Loans") to the Company from time to time during the period set forth below in an aggregate principal amount not to exceed $1,500,000 at any one time outstanding (the "Commitment"). During the term and within the limits of the Commitment, the Company may borrow, prepay and reborrow.

SECTION 2. Purpose. The purpose of the Commitment is to provide financing for capital expenditures and system improvements.

SECTION 3. Term. The term of the Commitment shall be from the date hereof up to second anniversary of the date hereof (the "Maturity Date").

SECTION 4. Availability. The Loans will be made available as provided in Section 2.02 of the MLA.

SECTION 5. Interest.

(A) Rate Options. The Company agrees to pay interest on the unpaid balance of the Loans in accordance with one of more of the following interest rate options, as selected by the Company:

(1) Weekly Variable Rate Option. At a rate per annum equal to the rate of interest established by CoBank on the first Business Day of each week (the "Variable Rate Option"). The rate established by CoBank shall be effective until the first Business Day of the next week and each change in the rate shall be applicable to all balances subject to this option. Information about the then current rate shall be made available upon telephonic request.

(2) Quoted Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance (the "Quoted Fixed Rate Option"). Under this option, rates may be fixed on such balances and for such periods (each, a "Quoted Fixed Rate Period"), as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) rates may not be fixed for Quoted Fixed Rate Periods of less than 30 days; (2) rates may only be fixed on balances of $100,000.00 or in multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

(3) LIBOR Option. At a fixed rate per annum equal to "LIBOR" (as hereinafter defined) plus 1.75% per annum (the "LIBOR Option"). Under this option rates may be fixed: (A) for "Interest Periods" (as hereinafter defined) of 1,2, 3, 6, and 9 months, as selected by the Company; provided, however, that: in no event may rates be fixed for Interest Periods expiring after the Maturity Date; (B) on balances of $100,000 or in increments of $100,000; (C) on a "Banking Day" (as

hereinafter defined) on 3 Banking Days' prior notice; and (D) on not more than five (5) separate balances at any one time. For purposes hereof: (a) "LIBOR" shall mean the rate (rounded upward to the nearest sixteenth of a percentage point and adjusted for reserves required on "Eurocurrency Liabilities" (as hereinafter defined) for banks subject to "FRB Regulation D" (as hereinafter defined) or required by any other federal law or regulation) quoted by the British Bankers Association ("BBA") at 11:00 a.m. London time 2 Banking Days before the commencement of the Interest Period for the offering of U.S. dollar deposits in the London interbank market for the Interest Period designated by the Company, as published by Bloomberg or another major information vendor listed on BBA's official website; (b) "Banking Day" shall mean a day on which CoBank is open for business, dealings in U.S. dollar deposits are being carried out in the London interbank market, and banks are open for business in New York City and London, England; and (c) "Interest Period" shall mean a period commencing on the date this option is to take effect and ending on the numerically corresponding day in the next calendar month or the month that is 2, 3, 6, or 9 months thereafter, as the case may be; provided, however, that: (i) in the event such ending day is not a Banking Day, such period shall be extended to the next Banking Day unless such next Banking Day falls in the next calendar month, in which case it shall end on the preceding Banking Day; and (ii) if there is no numerically corresponding day in the month, then such period shall end on the last Banking Day in the relevant month; (d) "Eurocurrency Liabilities" shall have meaning as set forth in FRB Regulation D; and (e) "FRB Regulation D" shall mean Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

(B) Elections. Subject to the limitations set forth above, the Company: (1) shall select the applicable rate option(s) at the time it requests a Loan; (2) may, on any Business Day, elect to convert balances bearing interest at the Variable Rate Option to the Quoted Fixed Rate Option; (3) may, on the last day of any Quoted Fixed Rate Period, elect to refix the rate under the Quoted Fixed Rate Option or convert the balance to the Variable Rate Option; (4) may, on the last day of any Interest Period, elect to convert balances bearing interest at the LIBOR Option to the Variable Rate Option or Quoted Fixed Rate Option; and (5) may, on three Banking Days' prior notice, elect to convert balances bearing interest at the Variable Rate Option or the Quoted Fixed Rate Option to the LIBOR Option or refix a rate under the LIBOR Option; provided, however, that balances bearing interest at the Quoted Fixed Rate Option or the LIBOR Option may not be converted or continued until the last day of the Quoted Fixed Rate Period or Interest Period applicable thereto. In the absence of an election provided for herein, the Company shall be deemed to have elected the Variable Rate Option. All elections provided for herein may be made telephonically, in writing, or, if agreed to in a separate agreement, electronically, and must be received by 12:00 noon Company's local time on the applicable Business Day. Any election made telephonically, shall be promptly confirmed in writing if so requested by CoBank.

(C) Calculation and Payment. Interest shall be calculated on the actual number of days each Loan is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Loan is made shall be included and the date each Loan is repaid shall, if received before 3:00 P.M. Mountain time, be excluded. Interest shall be: (1) calculated quarterly in arrears as of the end of each calendar quarter and on the Maturity Date; and (2) due and payable on the 20th day of each April, July, October, and January, and on the Maturity Date. Notwithstanding the foregoing, at CoBank's option, interest on balances bearing interest at the LIBOR Option shall be payable on the last day of the Interest Period or, in the case of Interest Periods of longer than three months, at three month intervals.

(D) Additional Provisions Regarding LIBOR Option. Notwithstanding any other provision hereof, CoBank shall have the right to temporarily suspend or permanently terminate the Company's ability to fix rates under the LIBOR Option or for one or more Interest Periods if, for any reason whatsoever (including a change in Law): (1) LIBOR is no longer being quoted in the London interbank market or is no longer being quoted for an Interest Period; (2) CoBank is prohibited from

offering rates based on LIBOR; or (3) CoBank's cost to fund balances bearing interest at the LIBOR Option (as determined by CoBank in its sole discretion) increases beyond any corresponding increase in LIBOR or decreases less than any corresponding decrease in LIBOR. In addition, if as a result of a change in Law or otherwise, CoBank is required to allocate additional capital to, or otherwise bear increase costs as a result of maintaining balances under, the LIBOR Option, the Company agrees to indemnify CoBank upon demand against all such costs.

SECTION 6. Commitment Fee. In consideration of the Commitment, the Company agrees to pay to CoBank a commitment fee on the average daily unused portion of the Commitment at the rate of 1/4th of 1% per annum (calculated on a 360 day basis). Such fee shall be calculated: (A) on the last day of each calendar quarter and on the date the Commitment expires or is terminated; and (B) shall be due and payable on the 20th day of each January, April, July, and October and on the date the Commitment expires or is terminated. Such fee shall be payable for each quarter (or portion thereof) occurring during the original or any extended term of the Commitment.

SECTION 7. Promissory Note. The Company promises to pay to CoBank or order the principal amount of the Loans on the Maturity Date. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the Loans at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 8. Prepayment. Subject to Section 10.01 of the MLA, the Company may prepay all or any portion of the Loans. Unless otherwise agreed, all prepayments will be applied to such fixed and variable rate balances outstanding on the Loans as CoBank shall specify.

SECTION 9. Security; Guaranties. The Company's obligations hereunder and, to the extent related hereto, the MLA shall be secured as provided in Section 2.04 of the MLA. In addition, the Company's obligations hereunder and, to the extent related hereto, the MLA, are guaranteed by Pennichuck Corporation (as provided in the MLA).

SECTION 10. Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make any Loan to the Company hereunder is subject to the condition precedent that CoBank shall have made the "Loan" contemplated in that certain Promissory Note and Supplement between the parties dated as of the date hereof and numbered RX0848T2.

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: _____

Title: Assistant Corporate Secretary

Irene Matlin

PENNICHUCK EAST UTILITY, INC.

By: Donald L. Ware

Title: President - Regulated Utilities

PROMISSORY NOTE AND SUPPLEMENT
(Single Advance Term Loan)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") is entered into as of February 9, 2010, between **PENNICHUCK EAST UTILITY, INC.,** a New Hampshire corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank"), and supplements the Master Loan Agreement dated as of February 9, 2010 (as amended or restated from time to time, the "MLA").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount up to $4,500,000 (the "Commitment"). CoBank's obligation to make the Loan shall expire at 12:00 Noon, Mountain Time, on March 2, 2010, or such later date as CoBank may, in its sole discretion, authorize in writing. Under the Commitment, amounts borrowed and later repaid may not be re-borrowed.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of, together with all accrued interest owing on, the loans made by the Guarantor to the Company to refinance the Company's debt to Bank of America.

SECTION 3. Availability. Notwithstanding Section 2.02 of the MLA, the Loan will be made available: (A) on a date to be agreed upon by the parties (the "Closing Date"); and (B) in a single advance.

SECTION 4.

(A) Rate Options. The Company agrees to pay interest on the unpaid balance of the Loans in accordance with one of more of the following interest rate options, as selected by the Company:

(1) Weekly Variable Rate Option. At a rate per annum equal to the rate of interest established by CoBank on the first Business Day of each week (the "Variable Rate Option"). The rate established by CoBank shall be effective until the first Business Day of the next week and each change in the rate shall be applicable to all balances subject to this option. Information about the then current rate shall be made available upon telephonic request.

(2) Quoted Rate Option. At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance (the "Quoted Fixed Rate Option"). Under this option, rates may be fixed on such balances and for such periods (each, a "Quoted Fixed Rate Period"), as may be agreeable to CoBank in its sole discretion in each instance, provided that: (1) rates may not be fixed for Quoted Fixed Rate Periods of less than 180 days; (2) rates may only be fixed on balances of $100,000.00 or in multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

(3) LIBOR Option. At a fixed rate per annum equal to "LIBOR" (as hereinafter defined) plus 1.75% per annum (the "LIBOR Option"). Under this option rates may be fixed: (A) for "Interest Periods" (as hereinafter defined) of 1,2, 3, 6, and 9 months, as selected by the Company; provided, however, that: in no event may rates be fixed for Interest Periods expiring after the Maturity Date; (B) on balances of $500,000 or in increments of $500,000; (C) on a "Banking Day" (as

hereinafter defined) on 3 Banking Days' prior notice; and (D) on not more than five (5) separate balances at any one time. For purposes hereof: (a) "LIBOR" shall mean the rate (rounded upward to the nearest sixteenth of a percentage point and adjusted for reserves required on "Eurocurrency Liabilities" (as hereinafter defined) for banks subject to "FRB Regulation D" (as hereinafter defined) or required by any other federal law or regulation) quoted by the British Bankers Association ("BBA") at 11:00 a.m. London time 2 Banking Days before the commencement of the Interest Period for the offering of U.S. dollar deposits in the London interbank market for the Interest Period designated by the Company, as published by Bloomberg or another major information vendor listed on BBA's official website; (b) "Banking Day" shall mean a day on which CoBank is open for business, dealings in U.S. dollar deposits are being carried out in the London interbank market, and banks are open for business in New York City and London, England; and (c) "Interest Period" shall mean a period commencing on the date this option is to take effect and ending on the numerically corresponding day in the next calendar month or the month that is 2, 3, 6, or 9 months thereafter, as the case may be; provided, however, that: (i) in the event such ending day is not a Banking Day, such period shall be extended to the next Banking Day unless such next Banking Day falls in the next calendar month, in which case it shall end on the preceding Banking Day; and (ii) if there is no numerically corresponding day in the month, then such period shall end on the last Banking Day in the relevant month; (d) "Eurocurrency Liabilities" shall have meaning as set forth in FRB Regulation D; and (e) "FRB Regulation D" shall mean Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

(B) **Elections.** Subject to the limitations set forth above, the Company: (1) shall select the applicable rate option(s) at the time it requests a Loan; (2) may, on any Business Day, elect to convert balances bearing interest at the Variable Rate Option to the Quoted Fixed Rate Option; (3) may, on the last day of any Quoted Fixed Rate Period, elect to refix the rate under the Quoted Fixed Rate Option or convert the balance to the Variable Rate Option; (4) may, on the last day of any Interest Period, elect to convert balances bearing interest at the LIBOR Option to the Variable Rate Option or Quoted Fixed Rate Option; and (5) may, on three Banking Days' prior notice, elect to convert balances bearing interest at the Variable Rate Option or the Quoted Fixed Rate Option to the LIBOR Option or refix a rate under the LIBOR Option; provided, however, that balances bearing interest at the Quoted Fixed Rate Option or the LIBOR Option may not be converted or continued until the last day of the Quoted Fixed Rate Period or Interest Period applicable thereto. In the absence of an election provided for herein, the Company shall be deemed to have elected the Variable Rate Option. All elections provided for herein may be made telephonically, in writing, or, if agreed to in a separate agreement, electronically, and must be received by 12:00 noon Company's local time on the applicable Business Day. Any election made telephonically, shall be promptly confirmed in writing if so requested by CoBank.

(C) **Calculation and Payment**. Interest shall be calculated on the actual number of days each Loan is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Loan is made shall be included and the date each Loan is repaid shall, if received before 3:00 P.M. Mountain time, be excluded. Interest shall be calculated and shall be due and payable quarterly in arrears on the first day of each March, June, September and December. Notwithstanding the foregoing, at CoBank's option, interest on balances bearing interest at the LIBOR Option shall be payable on the last day of the Interest Period or, in the case of Interest Periods of longer than three months, at three month intervals.

(D) **Additional Provisions Regarding LIBOR Option**. Notwithstanding any other provision hereof, CoBank shall have the right to temporarily suspend or permanently terminate the Company's ability to fix rates under the LIBOR Option or for one or more Interest Periods if, for any reason whatsoever (including a change in Law): (1) LIBOR is no longer being quoted in the London interbank market or is no longer being quoted for an Interest Period; (2) CoBank is prohibited from

offering rates based on LIBOR; or (3) CoBank's cost to fund balances bearing interest at the LIBOR Option (as determined by CoBank in its sole discretion) increases beyond any corresponding increase in LIBOR or decreases less than any corresponding decrease in LIBOR. In addition, if as a result of a change in Law or otherwise, CoBank is required to allocate additional capital to, or otherwise bear increase costs as a result of maintaining balances under, the LIBOR Option, the Company agrees to indemnify CoBank upon demand against all such costs.

(E) SWAP Agreement. Notwithstanding any other provision hereof, in the event the Company and CoBank enter into a swap agreement (a "SWAP Agreement") under which the Company agrees to pay a fixed rate of interest and to receive LIBOR for a given Interest Period as the floating rate, then for the duration of the SWAP agreement, the Company shall elect LIBOR for the Interest Period contemplated in the SWAP agreement, and interest payments shall be due and payable on the same date and at the same time as payments are due under the SWAP Agreement.

SECTION 5. Fees. [Waived By CoBank]

SECTION 6. Promissory Note. The Company promises to pay to CoBank or order the principal amount of the Loan in 80 consecutive quarterly installments, each due on the first day of each March, June, September, and December , with the first installment due on June 1, 2010, and the last installment due on March 1, 2030. The amount of each installment shall be the same principal amount that would be due and payable if the Loan was scheduled to be repaid in level installments of principal and interest and such schedule was calculated utilizing the "CoBank Base Rate" (as hereinafter defined) on the date hereof as the rate of interest accruing on the Loan; provided, however, that in the event the Company fixes the rate of interest on the Loan at a single fixed rate to the final maturity thereof, then the rate utilized to calculate the schedule shall be the rate of interest accruing on the Loan. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day (or, in the event a SWAP Agreement is entered into, a Banking Date), then such payment shall be due and payable on the next Business Day (or, in the case of a SWAP Agreement, on the next Banking Date) and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to Section 10.01 of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall be directly by CoBank.

SECTION 8. Security; Guaranties. The Company's obligations hereunder and, to the extent related hereto, the MLA shall be secured as provided in Section 2.04 of the MLA. In addition, the Company's obligations hereunder and, to the extent related hereto, the MLA, are guaranteed by Pennichuck Corporation (as provided in the MLA).

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the receipt by CoBank of each of the following instruments and documents (each of which must be in form and content acceptable to CoBank): (A) a duly completed and executed request for the Loan; and (B) one or more lien searches conducted in all places required by Law in order to identify all Liens filed against any real or personal property of the Company, which lien searches must show that the Company's property is free and clear of all Liens.

CoBANK, ACB

By: _____

Title: Assistant Corporate Secretary

Irene Matlin

PENNICHUCK EAST UTILITY, INC.

By: Donald L. Ware

Title: President - Regulated Utilities

Pingree, JaNae

From: Leonard, Thomas [thomas.leonard@PENNICHUCK.com]
Sent: Monday, February 15, 2010 8:46 AM
To: Tick, Stephen D.
Subject: RE: Changes to Allow For SWAP

I did. Please make Dick's change as well.

Tom

Thomas C. Leonard
Chief Financial Officer
Pennichuck Corporation
25 Manchester Street
Merrimack, NH 03054

(603) 913-2309

From: Tick, Stephen D. [mailto:stick@shermanhoward.com]
Sent: Monday, February 15, 2010 10:43 AM
To: Leonard, Thomas
Cc: Olivier, Roland; Samuels, Richard; Ervin, Bryan.; Milheiser, Jeffrey; Pingree, JaNae; Satriano, Daphne J.
Subject: RE: Changes to Allow For SWAP

Thanks Tom. What you approved did not include Richard's one comment to Section 6, which is shown in yellow on the attached. On the assumption that you meant to include that change, I will replace the pages with the attached.

Thank you for your cooperation.

Stephen D. Tick
Sherman & Howard L.L.C.
633 17th Street, Suite 3000
Denver, Colorado 80202
Phone: 303-299-8377
Fax: 303-298-0940
Email: stick@sah.com

From: Leonard, Thomas [mailto:thomas.leonard@PENNICHUCK.com]
Sent: Monday, February 15, 2010 8:06 AM
To: Tick, Stephen D.
Cc: Olivier, Roland; Samuels, Richard; Ervin, Bryan.; Milheiser, Jeffrey; Pingree, JaNae; Satriano, Daphne J.
Subject: RE: Changes to Allow For SWAP

Steve—I am fine with the changes. You are "so authorized" to replace the pages.

Thanks

Tom

Thomas C. Leonard
Chief Financial Officer
Pennichuck Corporation
25 Manchester Street
Merrimack, NH 03054

(603) 913-2309

From: Tick, Stephen D. [mailto:stick@shermanhoward.com]
Sent: Friday, February 12, 2010 3:28 PM
To: Leonard, Thomas
Cc: Olivier, Roland; Samuels, Richard; Ervin, Bryan.; Milheiser, Jeffrey; Pingree, JaNae; Satriano, Daphne J.
Subject: Changes to Allow For SWAP

<<2919274_1.DOC>>

Attached hereto is another draft of the documents showing (in blackline) the changes we need to make to the term loan supplement in order for it to mesh well with the SWAP Agreement. If you would like me to walk you through the changes or if you have any questions or comments, please do not hesitate to call me.

If the changes are acceptable, we can replace the pages with clean versions of the attached. To do that, all I need is an email from you authorizing me to replace the pages. A simple reply to the email reading "so authorized" is all I need.

Thanks

Stephen D. Tick
Sherman & Howard L.L.C.
633 17th Street, Suite 3000
Denver, Colorado 80202
Phone: 303-299-8377
Fax: 303-298-0940
Email: stick@sah.com

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REQUEST FOR LOAN

TO: **CoBANK, ACB**

FROM: **PENNICHUCK EAST UTILITY, INC.**

DATE: **FEBRUARY _____, 2010**

SUBJECT: **REQUEST FOR LOAN**

Reference is hereby made to that certain Promissory Note and Supplement dated as of February 9, 2010, and numbered RX0848T2 (the "Supplement") between **PENNICHUCK EAST UTILITY, INC.** (the "Company") and **CoBANK, ACB** ("CoBank"). All capitalized terms used herein and not defined herein shall have the meanings given to them in the Supplement.

Pursuant to Section 9 of the Supplement, the undersigned, on behalf of the Company, hereby requests that CoBank make the Loan to the Company on _____, in the amount of $_____.

Please wire transfer the proceeds of the Loan to our account as shown in our Delegation And Wire And Electronic Transfer Authorization form.

To induce CoBank to make the Loan, the undersigned, on behalf of the Company, hereby: (A) agrees to promptly remit to the Guarantor the proceeds of the Loan; and (B) certifies as follows: (1) all debt to Bank of America has been paid in full and, upon receipt by the Guarantor of the proceeds of the Loan, all debt that was incurred by the Company from the Guarantor to refinance debt to Bank of America will be paid in full; (2) no "Default" or Event of Default" (both as defined in the MLA) has occurred and is continuing; (2) each of the representations and warranties set forth in the MLA and the Supplement are true and correct as of the date hereof; and (3) the Company has satisfied all conditions precedent set forth in the Supplement and the MLA to CoBank's obligation to make the Loan.

PENNICHUCK EAST UTILITY, INC.

By: _____

Title: _____

ISDA

International Swaps and Derivatives Association, Inc.

2002 MASTER AGREEMENT

dated as of February 9, 2010

COBANK ACB ("Party A") and **PENNICHUCK EAST UTILITY, INC. ("Party B")**

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this 2002 Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties or otherwise effective for the purpose of confirming or evidencing those Transactions. This 2002 Master Agreement and the Schedule are together referred to as this "Master Agreement".

Accordingly, the parties agree as follows:—

1. Interpretation

(a) ***Definitions***. The terms defined in Section 14 and elsewhere in this Master Agreement will have the meanings therein specified for the purpose of this Master Agreement.

(b) ***Inconsistency***. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement, such Confirmation will prevail for the purpose of the relevant Transaction.

(c) ***Single Agreement.*** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) ***General Conditions.***

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other condition specified in this Agreement to be a condition precedent for the purpose of this Section 2(a)(iii).

(b) ***Change of Account.*** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the Scheduled Settlement Date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) ***Netting of Payments.*** If on any date amounts would otherwise be payable:—

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by which the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount and payment obligation will be determined in respect of all amounts payable on the same date in the same currency in respect of those Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or any Confirmation by specifying that "Multiple Transaction Payment Netting" applies to the Transactions identified as being subject to the election (in which case clause (ii) above will not apply to such Transactions). If Multiple Transaction Payment Netting is applicable to Transactions, it will apply to those Transactions with effect from the starting date specified in the Schedule or such Confirmation, or, if a starting date is not specified in the Schedule or such Confirmation, the starting date otherwise agreed by the parties in writing. This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) ***Deduction or Withholding for Tax.***

(i) ***Gross-Up.*** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) *Liability.* If:—

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

3. Representations

Each party makes the representations contained in Sections 3(a), 3(b), 3(c), 3(d), 3(e) and 3(f) and, if specified in the Schedule as applying, 3(g) to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement). If any "Additional Representation" is specified in the Schedule or any Confirmation as applying, the party or parties specified for such Additional Representation will make and, if applicable, be deemed to repeat such Additional Representation at the time or times specified for such Additional Representation.

(a) ***Basic Representations.***

(i) ***Status.*** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) ***Powers.*** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) *No Violation or Conflict.* Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) *Consents.* All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) *Obligations Binding.* Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) *Absence of Certain Events.* No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) *Absence of Litigation.* There is not pending or, to its knowledge, threatened against it, any of its Credit Support Providers or any of its applicable Specified Entities any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) *Accuracy of Specified Information.* All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) *Payer Tax Representation.* Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) *Payee Tax Representations.* Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

(g) *No Agency.* It is entering into this Agreement, including each Transaction, as principal and not as agent of any person or entity.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) *Furnish Specified Information.* It will deliver to the other party or, in certain cases under clause (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) ***Maintain Authorisations.*** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) ***Comply With Laws.*** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) ***Tax Agreement.*** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) ***Payment of Stamp Tax.*** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organised, managed and controlled or considered to have its seat, or where an Office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction"), and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) ***Events of Default.*** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes (subject to Sections 5(c) and 6(e)(iv)) an event of default (an "Event of Default") with respect to such party:—

(i) ***Failure to Pay or Deliver.*** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 9(h)(i)(2) or (4) required to be made by it if such failure is not remedied on or before the first Local Business Day in the case of any such payment or the first Local Delivery Day in the case of any such delivery after, in each case, notice of such failure is given to the party;

(ii) ***Breach of Agreement; Repudiation of Agreement.***

(1) Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 9(h)(i)(2) or (4) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied within 30 days after notice of such failure is given to the party; or

(2) the party disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, this Master Agreement, any Confirmation executed and delivered by that party or any

Transaction evidenced by such a Confirmation (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iii) ***Credit Support Default.***

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document, or any security interest granted by such party or such Credit Support Provider to the other party pursuant to any such Credit Support Document, to be in full force and effect for the purpose of this Agreement (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(iv) ***Misrepresentation.*** A representation (other than a representation under Section 3(e) or 3(f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) ***Default Under Specified Transaction.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) defaults (other than by failing to make a delivery) under a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction;

(2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment due on the last payment or exchange date of, or any payment on early termination of, a Specified Transaction (or, if there is no applicable notice requirement or grace period, such default continues for at least one Local Business Day);

(3) defaults in making any delivery due under (including any delivery due on the last delivery or exchange date of) a Specified Transaction or any credit support arrangement relating to a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, such default results in a liquidation of, an acceleration of obligations under, or an early termination of, all transactions outstanding under the documentation applicable to that Specified Transaction; or

(4) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, a Specified Transaction or any credit support arrangement relating to a Specified Transaction that is, in either case, confirmed or evidenced by a document or other confirming evidence executed and delivered by that party, Credit Support Provider or Specified Entity (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) ***Cross-Default.*** If "Cross-Default" is specified in the Schedule as applying to the party, the occurrence or existence of:—

(1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) where the aggregate principal amount of such agreements or instruments, either alone or together with the amount, if any, referred to in clause (2) below, is not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments before it would otherwise have been due and payable; or

(2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments under such agreements or instruments on the due date for payment (after giving effect to any applicable notice requirement or grace period) in an aggregate amount, either alone or together with the amount, if any, referred to in clause (1) above, of not less than the applicable Threshold Amount;

(vii) ***Bankruptcy.*** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4)(A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) ***Merger Without Assumption.*** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganises, reincorporates or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganisation, reincorporation or reconstitution:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) ***Termination Events.*** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes (subject to Section 5(c)) an Illegality if the event is specified in clause (i) below, a Force Majeure Event if the event is specified in clause (ii) below, a Tax Event if the event is specified in clause (iii) below, a Tax Event Upon Merger if the event is specified in clause (iv) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to clause (v) below or an Additional Termination Event if the event is specified pursuant to clause (vi) below:—

(i) ***Illegality.*** After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, due to an event or circumstance (other than any action taken by a party or, if applicable, any Credit Support Provider of such party) occurring after a Transaction is entered into, it becomes unlawful under any applicable law (including without limitation the laws of any country in which payment, delivery or compliance is required by either party or any Credit Support Provider, as the case may be), on any day, or it would be unlawful if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of a breach by the party of Section 4(b)):—

(1) for the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction to perform any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) for such party or any Credit Support Provider of such party (which will be the Affected Party) to perform any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, to receive a payment or delivery under such Credit Support Document or to comply with any other material provision of such Credit Support Document;

(ii) ***Force Majeure Event.*** After giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, the relevant Confirmation or elsewhere in this Agreement, by reason of force majeure or act of state occurring after a Transaction is entered into, on any day:—

(1) the Office through which such party (which will be the Affected Party) makes and receives payments or deliveries with respect to such Transaction is prevented from performing any absolute or contingent obligation to make a payment or delivery in respect of such Transaction, from receiving a payment or delivery in respect of such Transaction or from complying with any other material provision of this Agreement relating to such Transaction (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or

impracticable for such Office so to perform, receive or comply (or it would be impossible or impracticable for such Office so to perform, receive or comply if such payment, delivery or compliance were required on that day); or

(2) such party or any Credit Support Provider of such party (which will be the Affected Party) is prevented from performing any absolute or contingent obligation to make a payment or delivery which such party or Credit Support Provider has under any Credit Support Document relating to such Transaction, from receiving a payment or delivery under such Credit Support Document or from complying with any other material provision of such Credit Support Document (or would be so prevented if such payment, delivery or compliance were required on that day), or it becomes impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply (or it would be impossible or impracticable for such party or Credit Support Provider so to perform, receive or comply if such payment, delivery or compliance were required on that day),

so long as the force majeure or act of state is beyond the control of such Office, such party or such Credit Support Provider, as appropriate, and such Office, party or Credit Support Provider could not, after using all reasonable efforts (which will not require such party or Credit Support Provider to incur a loss, other than immaterial, incidental expenses), overcome such prevention, impossibility or impracticability;

(iii) ***Tax Event.*** Due to (1) any action taken by a taxing authority, or brought in a court of competent jurisdiction, after a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (2) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Settlement Date (A) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (B) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 9(h)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iv) ***Tax Event Upon Merger.*** The party (the "Burdened Party") on the next succeeding Scheduled Settlement Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 9(h)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets (or any substantial part of the assets comprising the business conducted by it as of the date of this Master Agreement) to, or reorganising, reincorporating or reconstituting into or as, another entity (which will be the Affected Party) where such action does not constitute a Merger Without Assumption;

(v) ***Credit Event Upon Merger.*** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, a Designated Event (as defined below) occurs with respect to such party, any Credit Support Provider of such party or any applicable Specified Entity of such party (in each case, "X") and such Designated Event does not constitute a Merger Without Assumption, and the creditworthiness of X or, if applicable, the successor, surviving or transferee entity of X, after taking into account any applicable Credit Support Document, is materially weaker immediately after the occurrence of such Designated Event than that of X immediately prior to the occurrence of such Designated Event (and, in any such event, such party or its successor, surviving or transferee entity, as appropriate, will be the Affected Party). A "Designated Event" with respect to X means that:—

(1) X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business conducted by X as of the

date of this Master Agreement) to, or reorganises, reincorporates or reconstitutes into or as, another entity;

(2) any person, related group of persons or entity acquires directly or indirectly the beneficial ownership of (A) equity securities having the power to elect a majority of the board of directors (or its equivalent) of X or (B) any other ownership interest enabling it to exercise control of X; or

(3) X effects any substantial change in its capital structure by means of the issuance, incurrence or guarantee of debt or the issuance of (A) preferred stock or other securities convertible into or exchangeable for debt or preferred stock or (B) in the case of entities other than corporations, any other form of ownership interest; or

(vi) ***Additional Termination Event.*** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties will be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) ***Hierarchy of Events.***

(i) An event or circumstance that constitutes or gives rise to an Illegality or a Force Majeure Event will not, for so long as that is the case, also constitute or give rise to an Event of Default under Section 5(a)(i), 5(a)(ii)(1) or 5(a)(iii)(1) insofar as such event or circumstance relates to the failure to make any payment or delivery or a failure to comply with any other material provision of this Agreement or a Credit Support Document, as the case may be.

(ii) Except in circumstances contemplated by clause (i) above, if an event or circumstance which would otherwise constitute or give rise to an Illegality or a Force Majeure Event also constitutes an Event of Default or any other Termination Event, it will be treated as an Event of Default or such other Termination Event, as the case may be, and will not constitute or give rise to an Illegality or a Force Majeure Event.

(iii) If an event or circumstance which would otherwise constitute or give rise to a Force Majeure Event also constitutes an Illegality, it will be treated as an Illegality, except as described in clause (ii) above, and not a Force Majeure Event.

(d) ***Deferral of Payments and Deliveries During Waiting Period.*** If an Illegality or a Force Majeure Event has occurred and is continuing with respect to a Transaction, each payment or delivery which would otherwise be required to be made under that Transaction will be deferred to, and will not be due until:—

(i) the first Local Business Day or, in the case of a delivery, the first Local Delivery Day (or the first day that would have been a Local Business Day or Local Delivery Day, as appropriate, but for the occurrence of the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event) following the end of any applicable Waiting Period in respect of that Illegality or Force Majeure Event, as the case may be; or

(ii) if earlier, the date on which the event or circumstance constituting or giving rise to that Illegality or Force Majeure Event ceases to exist or, if such date is not a Local Business Day or, in the case of a delivery, a Local Delivery Day, the first following day that is a Local Business Day or Local Delivery Day, as appropriate.

(e) ***Inability of Head or Home Office to Perform Obligations of Branch.*** If (i) an Illegality or a Force Majeure Event occurs under Section 5(b)(i)(1) or 5(b)(ii)(1) and the relevant Office is not the Affected Party's head or home office, (ii) Section 10(a) applies, (iii) the other party seeks performance of the relevant obligation or

compliance with the relevant provision by the Affected Party's head or home office and (iv) the Affected Party's head or home office fails so to perform or comply due to the occurrence of an event or circumstance which would, if that head or home office were the Office through which the Affected Party makes and receives payments and deliveries with respect to the relevant Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and such failure would otherwise constitute an Event of Default under Section 5(a)(i)or 5(a)(iii)(1) with respect to such party, then, for so long as the relevant event or circumstance continues to exist with respect to both the Office referred to in Section 5(b)(i)(1) or 5(b)(ii)(1), as the case may be, and the Affected Party's head or home office, such failure will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1).

6. Early Termination; Close-Out Netting

(a) ***Right to Terminate Following Event of Default.*** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) ***Right to Terminate Following Termination Event.***

(i) ***Notice.*** If a Termination Event other than a Force Majeure Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction, and will also give the other party such other information about that Termination Event as the other party may reasonably require. If a Force Majeure Event occurs, each party will, promptly upon becoming aware of it, use all reasonable efforts to notify the other party, specifying the nature of that Force Majeure Event, and will also give the other party such other information about that Force Majeure Event as the other party may reasonably require.

(ii) ***Transfer to Avoid Termination Event.*** If a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, other than immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) ***Two Affected Parties.*** If a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice of such occurrence is given under Section 6(b)(i) to avoid that Termination Event.

(iv) *Right to Terminate.*

(1) If:—

(A) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(B) a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there are two Affected Parties, or the Non-affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, if the relevant Termination Event is then continuing, by not more than 20 days notice to the other party, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(2) If at any time an Illegality or a Force Majeure Event has occurred and is then continuing and any applicable Waiting Period has expired:—

(A) Subject to clause (B) below, either party may, by not more than 20 days notice to the other party, designate (I) a day not earlier than the day on which such notice becomes effective as an Early Termination Date in respect of all Affected Transactions or (II) by specifying in that notice the Affected Transactions in respect of which it is designating the relevant day as an Early Termination Date, a day not earlier than two Local Business Days following the day on which such notice becomes effective as an Early Termination Date in respect of less than all Affected Transactions. Upon receipt of a notice designating an Early Termination Date in respect of less than all Affected Transactions, the other party may, by notice to the designating party, if such notice is effective on or before the day so designated, designate that same day as an Early Termination Date in respect of any or all other Affected Transactions.

(B) An Affected Party (if the Illegality or Force Majeure Event relates to performance by such party or any Credit Support Provider of such party of an obligation to make any payment or delivery under, or to compliance with any other material provision of, the relevant Credit Support Document) will only have the right to designate an Early Termination Date under Section 6(b)(iv)(2)(A) as a result of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2) following the prior designation by the other party of an Early Termination Date, pursuant to Section 6(b)(iv)(2)(A), in respect of less than all Affected Transactions.

(c) *Effect of Designation.*

(i) If notice designating an Early Termination Date is given under Section 6(a) or 6(b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 9(h)(i) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date will be determined pursuant to Sections 6(e) and 9(h)(ii).

(d) *Calculations; Payment Date.*

(i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including any quotations, market data or information from internal sources used in making such calculations), (2) specifying (except where there are two Affected Parties) any Early Termination Amount payable and (3) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation or market data obtained in determining a Close-out Amount, the records of the party obtaining such quotation or market data will be conclusive evidence of the existence and accuracy of such quotation or market data.

(ii) ***Payment Date.*** An Early Termination Amount due in respect of any Early Termination Date will, together with any amount of interest payable pursuant to Section 9(h)(ii)(2), be payable (1) on the day on which notice of the amount payable is effective in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default and (2) on the day which is two Local Business Days after the day on which notice of the amount payable is effective (or, if there are two Affected Parties, after the day on which the statement provided pursuant to clause (i) above by the second party to provide such a statement is effective) in the case of an Early Termination Date which is designated as a result of a Termination Event.

(e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the "Early Termination Amount") will be determined pursuant to this Section 6(e) and will be subject to Section 6(f).

(i) ***Events of Default.*** If the Early Termination Date results from an Event of Default, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Non-defaulting Party for each Terminated Transaction or group of Terminated Transactions, as the case may be, and (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If the Early Termination Amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of the Early Termination Amount to the Defaulting Party.

(ii) ***Termination Events.*** If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party.* Subject to clause (3) below, if there is one Affected Party, the Early Termination Amount will be determined in accordance with Section 6(e)(i), except that references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and to the Non-affected Party, respectively.

(2) *Two Affected Parties.* Subject to clause (3) below, if there are two Affected Parties, each party will determine an amount equal to the Termination Currency Equivalent of the sum of the Close-out Amount or Close-out Amounts (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions, as the case may be, and the Early Termination Amount will be an amount equal to (A) the sum of (I) one-half of the difference between the higher amount so determined (by party "X") and the lower amount so determined (by party "Y") and (II) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to Y. If the Early Termination Amount is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of the Early Termination Amount to Y.

(3) *Mid-Market Events.* If that Termination Event is an Illegality or a Force Majeure Event, then the Early Termination Amount will be determined in accordance with clause (1) or (2) above, as appropriate, except that, for the purpose of determining a Close-out Amount or Close-out Amounts, the Determining Party will:—

(A) if obtaining quotations from one or more third parties (or from any of the Determining Party's Affiliates), ask each third party or Affiliate (I) not to take account of the current creditworthiness of the Determining Party or any existing Credit Support Document and (II) to provide mid-market quotations; and

(B) in any other case, use mid-market values without regard to the creditworthiness of the Determining Party.

(iii) ***Adjustment for Bankruptcy.*** In circumstances where an Early Termination Date occurs because Automatic Early Termination applies in respect of a party, the Early Termination Amount will be subject to such adjustments as are appropriate and permitted by applicable law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ***Adjustment for Illegality or Force Majeure Event.*** The failure by a party or any Credit Support Provider of such party to pay, when due, any Early Termination Amount will not constitute an Event of Default under Section 5(a)(i) or 5(a)(iii)(1) if such failure is due to the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event. Such amount will (1) accrue interest and otherwise be treated as an Unpaid Amount owing to the other party if subsequently an Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions and (2) otherwise accrue interest in accordance with Section 9(h)(ii)(2).

(v) ***Pre-Estimate.*** The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks, and, except as otherwise provided in this Agreement, neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions.

(f) ***Set-Off.*** Any Early Termination Amount payable to one party (the "Payee") by the other party (the "Payer"), in circumstances where there is a Defaulting Party or where there is one Affected Party in the case where either a Credit Event Upon Merger has occurred or any other Termination Event in respect of which all outstanding Transactions are Affected Transactions has occurred, will, at the option of the Non-defaulting Party or the Non-affected Party, as the case may be ("X") (and without prior notice to the Defaulting Party or the Affected Party, as the case may be), be reduced by its set-off against any other amounts ("Other Amounts") payable by the Payee to the Payer (whether or not arising under this Agreement, matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation). To the extent that any Other Amounts are so set off, those Other Amounts will be discharged promptly and in all respects. X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Amounts (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, in good faith and using commercially reasonable procedures, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) will be effective to create a charge or other security interest. This Section 6(f) will be without prejudice and in addition to any right of set-off, offset, combination of accounts, lien, right of retention or withholding or similar right or requirement to which any party is at any time otherwise entitled or subject (whether by operation of law, contract or otherwise).

7. Transfer

Subject to Section 6(b)(ii) and to the extent permitted by applicable law, neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any Early Termination Amount payable to it by a Defaulting Party, together with any amounts payable on or with respect to that interest and any other rights associated with that interest pursuant to Sections 8, 9(h) and 11.

Any purported transfer that is not in compliance with this Section 7 will be void.

8. Contractual Currency

(a) ***Payment in the Contractual Currency.*** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in good faith and using commercially reasonable procedures in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) ***Judgments.*** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in clause (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purpose of such judgment or order and the rate of exchange at which such party is able, acting in good faith and using

commercially reasonable procedures in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party.

(c) ***Separate Indemnities.*** To the extent permitted by applicable law, the indemnities in this Section 8 constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) ***Evidence of Loss.*** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. Miscellaneous

(a) ***Entire Agreement.*** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter. Each of the parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a party for fraud.

(b) ***Amendments.*** An amendment, modification or waiver in respect of this Agreement will only be effective if in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system.

(c) ***Survival of Obligations.*** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) ***Remedies Cumulative.*** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) ***Counterparts and Confirmations.***

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission and by electronic messaging system), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation will be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes, by an exchange of electronic messages on an electronic messaging system or by an exchange of e-mails, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex, electronic message or e-mail constitutes a Confirmation.

(f) ***No Waiver of Rights.*** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) ***Headings.*** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

(h) *Interest and Compensation.*

(i) Prior to Early Termination. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction:—

(1) *Interest on Defaulted Payments.* If a party defaults in the performance of any payment obligation, it will, to the extent permitted by applicable law and subject to Section 6(c), pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (3)(B) or (C) below), at the Default Rate.

(2) *Compensation for Defaulted Deliveries.* If a party defaults in the performance of any obligation required to be settled by delivery, it will on demand (A) compensate the other party to the extent provided for in the relevant Confirmation or elsewhere in this Agreement and (B) unless otherwise provided in the relevant Confirmation or elsewhere in this Agreement, to the extent permitted by applicable law and subject to Section 6(c), pay to the other party interest (before as well as after judgment) on an amount equal to the fair market value of that which was required to be delivered in the same currency as that amount, for the period from (and including) the originally scheduled date for delivery to (but excluding) the date of actual delivery (and excluding any period in respect of which interest or compensation in respect of that amount is due pursuant to clause (4) below), at the Default Rate. The fair market value of any obligation referred to above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party that was entitled to take delivery.

(3) *Interest on Deferred Payments.* If:—

(A) a party does not pay any amount that, but for Section 2(a)(iii), would have been payable, it will, to the extent permitted by applicable law and subject to Section 6(c) and clauses (B) and (C) below, pay interest (before as well as after judgment) on that amount to the other party on demand (after such amount becomes payable) in the same currency as that amount, for the period from (and including) the date the amount would, but for Section 2(a)(iii), have been payable to (but excluding) the date the amount actually becomes payable, at the Applicable Deferral Rate;

(B) a payment is deferred pursuant to Section 5(d), the party which would otherwise have been required to make that payment will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the amount of the deferred payment to the other party on demand (after such amount becomes payable) in the same currency as the deferred payment, for the period from (and including) the date the amount would, but for Section 5(d), have been payable to (but excluding) the earlier of the date the payment is no longer deferred pursuant to Section 5(d) and the date during the deferral period upon which an Event of Default or Potential Event of Default with respect to that party occurs, at the Applicable Deferral Rate; or

(C) a party fails to make any payment due to the occurrence of an Illegality or a Force Majeure Event (after giving effect to any deferral period contemplated by clause (B) above), it will, to the extent permitted by applicable law, subject to Section 6(c) and for so long as the event or circumstance giving rise to that Illegality or Force Majeure Event

continues and no Event of Default or Potential Event of Default with respect to that party has occurred and is continuing, pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as the overdue amount, for the period from (and including) the date the party fails to make the payment due to the occurrence of the relevant Illegality or Force Majeure Event (or, if later, the date the payment is no longer deferred pursuant to Section 5(d)) to (but excluding) the earlier of the date the event or circumstance giving rise to that Illegality or Force Majeure Event ceases to exist and the date during the period upon which an Event of Default or Potential Event of Default with respect to that party occurs (and excluding any period in respect of which interest or compensation in respect of the overdue amount is due pursuant to clause (B) above), at the Applicable Deferral Rate.

(4) *Compensation for Deferred Deliveries.* If:—

(A) a party does not perform any obligation that, but for Section 2(a)(iii), would have been required to be settled by delivery;

(B) a delivery is deferred pursuant to Section 5(d); or

(C) a party fails to make a delivery due to the occurrence of an Illegality or a Force Majeure Event at a time when any applicable Waiting Period has expired,

the party required (or that would otherwise have been required) to make the delivery will, to the extent permitted by applicable law and subject to Section 6(c), compensate and pay interest to the other party on demand (after, in the case of clauses (A) and (B) above, such delivery is required) if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

(ii) ***Early Termination.*** Upon the occurrence or effective designation of an Early Termination Date in respect of a Transaction:—

(1) *Unpaid Amounts.* For the purpose of determining an Unpaid Amount in respect of the relevant Transaction, and to the extent permitted by applicable law, interest will accrue on the amount of any payment obligation or the amount equal to the fair market value of any obligation required to be settled by delivery included in such determination in the same currency as that amount, for the period from (and including) the date the relevant obligation was (or would have been but for Section 2(a)(iii) or 5(d)) required to have been performed to (but excluding) the relevant Early Termination Date, at the Applicable Close-out Rate.

(2) *Interest on Early Termination Amounts.* If an Early Termination Amount is due in respect of such Early Termination Date, that amount will, to the extent permitted by applicable law, be paid together with interest (before as well as after judgment) on that amount in the Termination Currency, for the period from (and including) such Early Termination Date to (but excluding) the date the amount is paid, at the Applicable Close-out Rate.

(iii) ***Interest Calculation.*** Any interest pursuant to this Section 9(h) will be calculated on the basis of daily compounding and the actual number of days elapsed.

10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to and agrees with the other party that, notwithstanding the place of booking or its jurisdiction of incorporation or organisation, its obligations are the same in terms of recourse against it as if it had entered into the Transaction through its head or home office, except that a party will not have recourse to the head or home office of the other party in respect of any payment or delivery deferred pursuant to Section 5(d) for so long as the payment or delivery is so deferred. This representation and agreement will be deemed to be repeated by each party on each date on which the parties enter into a Transaction.

(b) If a party is specified as a Multibranch Party in the Schedule, such party may, subject to clause (c) below, enter into a Transaction through, book a Transaction in and make and receive payments and deliveries with respect to a Transaction through any Office listed in respect of that party in the Schedule (but not any other Office unless otherwise agreed by the parties in writing).

(c) The Office through which a party enters into a Transaction will be the Office specified for that party in the relevant Confirmation or as otherwise agreed by the parties in writing, and, if an Office for that party is not specified in the Confirmation or otherwise agreed by the parties in writing, its head or home office. Unless the parties otherwise agree in writing, the Office through which a party enters into a Transaction will also be the Office in which it books the Transaction and the Office through which it makes and receives payments and deliveries with respect to the Transaction. Subject to Section 6(b)(ii), neither party may change the Office in which it books the Transaction or the Office through which it makes and receives payments or deliveries with respect to a Transaction without the prior written consent of the other party.

11. Expenses

A Defaulting Party will on demand indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, execution fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) *Effectiveness.* Any notice or other communication in respect of this Agreement may be given in any manner described below (except that a notice or other communication under Section 5 or 6 may not be given by electronic messaging system or e-mail) to the address or number or in accordance with the electronic messaging system or e-mail details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date it is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date it is delivered or its delivery is attempted;

(v) if sent by electronic messaging system, on the date it is received; or

(vi) if sent by e-mail, on the date it is delivered,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication will be deemed given and effective on the first following day that is a Local Business Day.

(b) ***Change of Details.*** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system or e-mail details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) ***Governing Law.*** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) ***Jurisdiction.*** With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party irrevocably:—

(i) submits:—

(1) if this Agreement is expressed to be governed by English law, to (A) the non-exclusive jurisdiction of the English courts if the Proceedings do not involve a Convention Court and (B) the exclusive jurisdiction of the English courts if the Proceedings do involve a Convention Court; or

(2) if this Agreement is expressed to be governed by the laws of the State of New York, to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City;

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party; and

(iii) agrees, to the extent permitted by applicable law, that the bringing of Proceedings in any one or more jurisdictions will not preclude the bringing of Proceedings in any other jurisdiction.

(c) ***Service of Process.*** Each party irrevocably appoints the Process Agent, if any, specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12(a)(i), 12(a)(iii) or 12(a)(iv). Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by applicable law.

(d) ***Waiver of Immunities.*** Each party irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction or order for specific performance or recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. Definitions

As used in this Agreement:—

"Additional Representation" has the meaning specified in Section 3.

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Force Majeure Event, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event (which, in the case of an Illegality under Section 5(b)(i)(2) or a Force Majeure Event under Section 5(b)(ii)(2), means all Transactions unless the relevant Credit Support Document references only certain Transactions, in which case those Transactions and, if the relevant Credit Support Document constitutes a Confirmation for a Transaction, that Transaction) and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Agreement" has the meaning specified in Section 1(c).

"Applicable Close-out Rate" means:—

(a) in respect of the determination of an Unpaid Amount:—

(i) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(ii) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate;

(iii) in respect of obligations deferred pursuant to Section 5(d), if there is no Defaulting Party and for so long as the deferral period continues, the Applicable Deferral Rate; and

(iv) in all other cases following the occurrence of a Termination Event (except where interest accrues pursuant to clause (iii) above), the Applicable Deferral Rate; and

(b) in respect of an Early Termination Amount:—

(i) for the period from (and including) the relevant Early Termination Date to (but excluding) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable:—

(1) if the Early Termination Amount is payable by a Defaulting Party, the Default Rate;

(2) if the Early Termination Amount is payable by a Non-defaulting Party, the Non-default Rate; and

(3) in all other cases, the Applicable Deferral Rate; and

(ii) for the period from (and including) the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable to (but excluding) the date of actual payment:—

(1) if a party fails to pay the Early Termination Amount due to the occurrence of an event or circumstance which would, if it occurred with respect to a payment or delivery under a Transaction, constitute or give rise to an Illegality or a Force Majeure Event, and for so long as the Early Termination Amount remains unpaid due to the continuing existence of such event or circumstance, the Applicable Deferral Rate;

(2) if the Early Termination Amount is payable by a Defaulting Party (but excluding any period in respect of which clause (1) above applies), the Default Rate;

(3) if the Early Termination Amount is payable by a Non-defaulting Party (but excluding any period in respect of which clause (1) above applies), the Non-default Rate; and

(4) in all other cases, the Termination Rate.

"Applicable Deferral Rate" means:—

(a) for the purpose of Section 9(h)(i)(3)(A), the rate certified by the relevant payer to be a rate offered to the payer by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market;

(b) for purposes of Section 9(h)(i)(3)(B) and clause (a)(iii) of the definition of Applicable Close-out Rate, the rate certified by the relevant payer to be a rate offered to prime banks by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer after consultation with the other party, if practicable, for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market; and

(c) for purposes of Section 9(h)(i)(3)(C) and clauses (a)(iv), (b)(i)(3) and (b)(ii)(1) of the definition of Applicable Close-out Rate, a rate equal to the arithmetic mean of the rate determined pursuant to clause (a) above and a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount.

"Automatic Early Termination" has the meaning specified in Section 6(a).

"Burdened Party" has the meaning specified in Section 5(b)(iv).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs after the parties enter into the relevant Transaction.

"Close-out Amount" means, with respect to each Terminated Transaction or each group of Terminated Transactions and a Determining Party, the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realised under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in

Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions.

Any Close-out Amount will be determined by the Determining Party (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. The Determining Party may determine a Close-out Amount for any group of Terminated Transactions or any individual Terminated Transaction but, in the aggregate, for not less than all Terminated Transactions. Each Close-out Amount will be determined as of the Early Termination Date or, if that would not be commercially reasonable, as of the date or dates following the Early Termination Date as would be commercially reasonable.

Unpaid Amounts in respect of a Terminated Transaction or group of Terminated Transactions and legal fees and out-of-pocket expenses referred to in Section 11 are to be excluded in all determinations of Close-out Amounts.

In determining a Close-out Amount, the Determining Party may consider any relevant information, including, without limitation, one or more of the following types of information: —

(i) quotations (either firm or indicative) for replacement transactions supplied by one or more third parties that may take into account the creditworthiness of the Determining Party at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Determining Party and the third party providing the quotation;

(ii) information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data in the relevant market; or

(iii) information of the types described in clause (i) or (ii) above from internal sources (including any of the Determining Party's Affiliates) if that information is of the same type used by the Determining Party in the regular course of its business for the valuation of similar transactions.

The Determining Party will consider, taking into account the standards and procedures described in this definition, quotations pursuant to clause (i) above or relevant market data pursuant to clause (ii) above unless the Determining Party reasonably believes in good faith that such quotations or relevant market data are not readily available or would produce a result that would not satisfy those standards. When considering information described in clause (i), (ii) or (iii) above, the Determining Party may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilised. Third parties supplying quotations pursuant to clause (i) above or market data pursuant to clause (ii) above may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

Without duplication of amounts calculated based on information described in clause (i), (ii) or (iii) above, or other relevant information, and when it is commercially reasonable to do so, the Determining Party may in addition consider in calculating a Close-out Amount any loss or cost incurred in connection with its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction or group of Terminated Transactions (or any gain resulting from any of them).

Commercially reasonable procedures used in determining a Close-out Amount may include the following:—

(1) application to relevant market data from third parties pursuant to clause (ii) above or information from internal sources pursuant to clause (iii) above of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Determining Party in the regular course of its business in pricing or valuing transactions between the Determining Party and unrelated third parties that are similar to the Terminated Transaction or group of Terminated Transactions; and

(2) application of different valuation methods to Terminated Transactions or groups of Terminated Transactions depending on the type, complexity, size or number of the Terminated Transactions or group of Terminated Transactions.

"Confirmation" has the meaning specified in the preamble.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Contractual Currency" has the meaning specified in Section 8(a).

"Convention Court" means any court which is bound to apply to the Proceedings either Article 17 of the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters or Article 17 of the 1988 Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Cross-Default" means the event specified in Section 5(a)(vi).

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Designated Event" has the meaning specified in Section 5(b)(v).

"Determining Party" means the party determining a Close-out Amount.

"Early Termination Amount" has the meaning specified in Section 6(e).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"electronic messages" does not include e-mails but does include documents expressed in markup languages, and *"electronic messaging system"* will be construed accordingly.

"English law" means the law of England and Wales, and *"English"* will be construed accordingly.

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Force Majeure Event" has the meaning specified in Section 5(b).

"General Business Day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits).

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority), and *"unlawful"* will be construed accordingly.

"Local Business Day" means (a) in relation to any obligation under Section 2(a)(i), a General Business Day in the place or places specified in the relevant Confirmation and a day on which a relevant settlement system is open or operating as specified in the relevant Confirmation or, if a place or a settlement system is not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) for the purpose of determining when a Waiting Period expires, a General Business Day in the place where the event or circumstance that constitutes or gives rise to the Illegality or Force Majeure Event, as the case may be, occurs, (c) in relation to any other payment, a General Business Day in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment and, if that currency does not have a single recognised principal financial centre, a day on which the settlement system necessary to accomplish such payment is open, (d) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), a General Business Day (or a day that would have been a General Business Day but for the occurrence of an event or circumstance which would, if it occurred with respect to payment, delivery or compliance related to a Transaction, constitute or give rise to an Illegality or a Force Majeure Event) in the place specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (e) in relation to Section 5(a)(v)(2), a General Business Day in the relevant locations for performance with respect to such Specified Transaction.

"Local Delivery Day" means, for purposes of Sections 5(a)(i) and 5(d), a day on which settlement systems necessary to accomplish the relevant delivery are generally open for business so that the delivery is capable of being accomplished in accordance with customary market practice, in the place specified in the relevant Confirmation or, if not so specified, in a location as determined in accordance with customary market practice for the relevant delivery.

"Master Agreement" has the meaning specified in the preamble.

"Merger Without Assumption" means the event specified in Section 5(a)(viii).

"Multiple Transaction Payment Netting" has the meaning specified in Section 2(c).

"Non-affected Party" means, so long as there is only one Affected Party, the other party.

"Non-default Rate" means the rate certified by the Non-defaulting Party to be a rate offered to the Non-defaulting Party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the Non-defaulting Party for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Office" means a branch or office of a party, which may be such party's head or home office.

"Other Amounts" has the meaning specified in Section 6(f).

"Payee" has the meaning specified in Section 6(f).

"Payer" has the meaning specified in Section 6(f).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Proceedings" has the meaning specified in Section 13(b).

"Process Agent" has the meaning specified in the Schedule.

"rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

"Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"Schedule" has the meaning specified in the preamble.

"Scheduled Settlement Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is not a Transaction under this Agreement but (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made, (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Stamp Tax Jurisdiction" has the meaning specified in Section 4(e).

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means, with respect to any Early Termination Date, (a) if resulting from an Illegality or a Force Majeure Event, all Affected Transactions specified in the notice given pursuant to Section 6(b)(iv), (b) if resulting from any other Termination Event, all Affected Transactions and (c) if resulting from an Event of Default, all Transactions in effect either immediately before the effectiveness of the notice designating that Early Termination Date or, if Automatic Early Termination applies, immediately before that Early Termination Date.

"Termination Currency" means (a) if a Termination Currency is specified in the Schedule and that currency is freely available, that currency, and (b) otherwise, euro if this Agreement is expressed to be governed by English law or United States Dollars if this Agreement is expressed to be governed by the laws of the State of New York.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Close-out Amount is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Force Majeure Event, a Tax Event, a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Threshold Amount" means the amount, if any, specified as such in the Schedule.

"Transaction" has the meaning specified in the preamble.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii) or due but for Section 5(d)) to such party under Section 2(a)(i) or 2(d)(i)(4) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date, (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii) or 5(d)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered and (c) if the Early Termination Date results from an Event of Default, a Credit Event Upon Merger or an Additional Termination Event in respect of which all outstanding Transactions are Affected Transactions, any Early Termination Amount due prior to such Early Termination Date and which remains unpaid as of such Early Termination Date, in each case together with any amount of interest accrued or other

compensation in respect of that obligation or deferred obligation, as the case may be, pursuant to Section 9(h)(ii)(1) or (2), as appropriate. The fair market value of any obligation referred to in clause (b) above will be determined as of the originally scheduled date for delivery, in good faith and using commercially reasonable procedures, by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it will be the average of the Termination Currency Equivalents of the fair market values so determined by both parties.

"Waiting Period" means:—

(a) in respect of an event or circumstance under Section 5(b)(i), other than in the case of Section 5(b)(i)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of three Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance; and

(b) in respect of an event or circumstance under Section 5(b)(ii), other than in the case of Section 5(b)(ii)(2) where the relevant payment, delivery or compliance is actually required on the relevant day (in which case no Waiting Period will apply), a period of eight Local Business Days (or days that would have been Local Business Days but for the occurrence of that event or circumstance) following the occurrence of that event or circumstance.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

COBANK, ACB	PENNICHUCK EAST UTILITY, INC.
By:	By: Donald L. Ware
Name: Irene Matlin	Name: Donald L. Ware
Title: Assistant Corporate Secretary	Title: President - Regulated Utilities
Date:	Date: 2/9/2010

SCHEDULE
to the
2002 ISDA Master Agreement

dated as of February 9, 2010.

between CoBank, ACB, an instrumentality of the United States ("Party A") and PENNICHUCK EAST UTILITY, INC., a New Hampshire corporation ("Party B"), whose obligations are guaranteed by Pennichuck Corporation, a New Hampshire corporation.

Part 1. **Termination Provisions.**

a. "**Specified Entity**" means in relation to Party A for the purpose of:

Section 5(a)(v), Affiliates
Section 5(a)(vi), Not applicable
Section 5(a)(vii), Not applicable
Section 5(b)(v), Not applicable

in relation to Party B for the purpose of:

Section 5(a)(v), Affiliates
Section 5(a)(vi), Not applicable
Section 5(a)(vii), Not applicable
Section 5(b)(v), Not applicable

b. "**Specified Transaction**" will have the meaning set forth in Section 14 of this Agreement and shall also include any loan or other agreement between Party A and Party B or any Specified Entity of Party B, including any loan agreement identified on Exhibit I hereto (each a "**Loan Agreement**").

c. Except as contemplated in (g) of this Part 1, the "**Cross Default**" provisions of Section 5(a)(vi) will not apply to Party A or Party B.

d. "**Termination Currency**" means United States Dollars.

e. The "**Credit Event Upon Merger**" provisions of Section 5(b)(v) will apply to Party A and Party B; provided, however, that nothing contained in this provision shall be deemed to eliminate or supersede any provision contained in any loan or other agreement between Party A and Party B or any Specified Entity of Party B. In addition, in the event of a conflict between this provision and paragraph g. of this Part 1, paragraph g. shall control.

f. The "**Automatic Early Termination**" provisions of Section 6(a) will not apply to both parties.

g. **"Additional Termination Event"** provision of Section 5(b) will apply.

The occurrence at any time of any of the following events will constitute an Additional Termination Event with respect to Party B for which Party B will be the sole Affected Party, and for which all Transactions will be Affected Transactions:

(i) A default, however described, occurs under any Loan Agreement identified in Exhibit I.

(ii) The payment in full of the loan under any Loan Agreement identified in Exhibit I hereto unless contemporaneously therewith a new loan is made to Party B by Party A and Exhibit I is amended to reflect such new loan.

(iii) The agreement identified in Exhibit I hereto ceases to be in full force and effect and either there is no replacement agreement or lending facility or, to the extent there is a replacement agreement or lending facility, Party A is not a party thereto.

h. **"Default Rate"** means the CoBank Base Rate established by CoBank, ACB from time to time plus 2 percent per annum.

Part 2. **Representations.**

a. **Tax Representations.**

(i) ***Payer Representations.*** For the purpose of Section 3(e) of this Agreement, each party represents to the other party:—

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement of the other party contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement.

(ii) ***Payee Representations.*** For the purpose of Section 3(f) of this Agreement, the parties make the following representation: None.

Part 3. **Agreement to Deliver Documents.**

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

a. **Tax forms, documents or certificates to be delivered are:**

Party A covenants that on or before the date on which Party B makes any payment to Party A it will provide Party B with a properly executed United States Internal Revenue Service Form W-9, and after such date it will provide additional Internal Revenue Service Forms W-9, or appropriate successor forms, to the extent the form previously furnished has ceased to be effective, the information therein has become inaccurate or such form has been superseded.

Party B covenants that on or before the date on which Party A makes any payment to Party B it will provide Party A with a properly executed United States Internal Revenue Service Form W-9, and after such date it will provide additional Internal Revenue Service Forms W-9, or appropriate successor forms, to the extent the form previously furnished has ceased to be effective, the information therein has become inaccurate or such form has been superseded.

b. **Other documents to be delivered are:**

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Each Party	Certified evidence of the authority, incumbency and specimen signature of each authorized person executing this Agreement and any Confirmation.	Upon execution of this Agreement; and promptly following the request of the other party.	Yes.
Party B	A copy of the resolutions (or documents with analogous effect or evidence) of such party approving this Agreement and the Transactions contemplated hereby.	Upon execution of this Agreement.	Yes.
Party B	An opinion of counsel substantially in the form attached hereto as Exhibit II.	Upon or prior to the execution of this Agreement.	No.

Part 4. **Miscellaneous.**

a. **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:

Mailing Address: 5500 South Quebec Street, Greenwood Village, Colorado 80111

Attention: Kari Glenn, Financial Instruments Accounting

Email: FIA@cobank.com

Facsimile: (303) 694-5844

Address for notices or communications to Party B:

Mailing Address: 25 Manchester Street, Nashua, New Hampshire 03054

Attention: President

Facsimile: 603-913-2305

Email: Thomas.leonard@pennichuck.com.

Telephone No.: 603-913-2309

b. **Process Agent.** For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent: its legal officer at its address for notices or, in his or her absence, any other senior officer of Party A at such address.

Party B appoints as its Process Agent: its legal officer at its address for notices or, in his or her absence, any other senior officer of Party B at such address.

c. **Offices.** The provisions of Section 10(a) will apply to this Agreement.

d. **Multibranch Party.** For the purpose of Section 10 of this Agreement:

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

e. **Calculation Agent.** The Calculation Agent is Party A, unless otherwise specified in the applicable Confirmation.

f. **Credit Support Document.** With respect to Party A, none.

With respect to Party B, all security and other instruments associated with any loan or other agreement between Party A and Party B or any subsidiary or any guarantor of Party B, including any loan identified on Exhibit I hereto.

g. **Credit Support Provider.** With respect to Party A, none.

With respect to Party B, Pennichuck Corporation.

h. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

i. **Netting of Payments.** "Multiple Transaction Payment Netting" will apply for the purpose of Section 2(c) of this Agreement, and will apply to all Transactions.

j. **"Affiliate"** will have the meaning set forth in Section 14 of this Agreement.

k. **Absence of Litigation.** For the purpose of Section 3(c):

"Specified Entity" mean in relation to Party A: Affiliates

"Specified Entity" means in relation to Party B: Affiliates

l. **No Agency.** The provisions of Section 3(g) will apply to this Agreement.

m. **Additional Representation** will apply. For the purpose of Section 3 of this Agreement, the following will constitute an Additional Representation:—

(i) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):—

(1) *Non-Reliance.* It has, in connection with the negotiation, execution and delivery of this Agreement and any Transaction (i) the knowledge and sophistication to

independently appraise and understand the financial and legal terms and conditions of each Transaction and to assume the economic consequences and risks thereof and has, in fact, done so as a result of arm's length dealings with the other party; (ii) to the extent necessary, consulted with its own independent financial, legal or other advisors and has made its own investment, hedging and trading decisions in connection with any Transaction based upon its own judgment and the advice of such advisors and not upon any view expressed by the other party; (iii) not relied upon any representations (whether written or oral) of the other party, other than the representations expressly set forth hereunder and in any Credit Support Document and is not in any fiduciary relationship with the other party; (iv) not obtained from the other party (directly or indirectly through any other person) any advice, counsel or assurances as to the expected or projected success, profitability, performance, results or benefits of any Transaction; and (v) determined to its satisfaction whether or not the rates, prices or amounts and other economic terms of any Transaction and the indicative quotations (if any) provided by the other party reflect those in the relevant market for similar transactions.

(2) *Assessment and Understanding.* It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(3) *Status of Parties.* The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

(ii) **Other Representations.** The following shall be an additional representation of the parties under Section 3 of this Agreement, which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into:—

Representations of Party A:

(1) *Financial Statements.* The latest publicly available financial statements of Party A fairly and accurately present the consolidated financial condition on the date(s) thereof and the consolidated results of the operations of Party A and its consolidated subsidiaries for the period(s) therein specified in accordance with accounting principles generally accepted in the United States in each case consistently applied (except as otherwise noted therein) and, since the date of the most recent financial statement made publicly available, there has been no material adverse change in such condition or results of operations.

(2) *Eligible Contract Participant.* Party A is an "eligible contract participant" within the meaning ascribed to that term in 7 U.S.C. § 1a(12)(A)(i).

(3) *Individual Negotiation.* It understands that this Agreement and each Transaction entered into hereunder are subject to individual negotiation.

Representations of Party B:

(4) *Financial Statements.* The latest publicly available financial statements of Party B and its consolidated subsidiaries, fairly and accurately present the consolidated financial condition on the date(s) thereof and the consolidated results of the operations of Party B for the period(s) therein specified in accordance with accounting principles generally accepted in the United States in each case consistently applied (except as otherwise noted therein) and, since the date of the most recent financial statement made publicly available or furnished pursuant to Section 4(a) of this Agreement (including Part 3 of the Schedule), there has been no material adverse change in such condition or results of operations.

(5) *Eligible Contract Participant.* Party B is an "eligible contract participant" within the meaning ascribed to that term in 7 U.S.C. § 1a(12).

(6) *Bankruptcy Code.* Party B is subject to the U.S. Bankruptcy Code.

(7) *Individual Negotiation.* It understands that this Agreement and each Transaction entered into hereunder are subject to individual negotiation.

Part 5. **Other Provisions.**

a. ISDA Definitions. Except as otherwise defined in this Schedule or a Confirmation, this Agreement and each Transaction are subject to the 2006 Definitions, and will be governed in all relevant respects by the provisions set forth in the 2006 Definitions, without regard to any amendments to the 2006 Definitions subsequent to the date hereof. The provisions of the 2006 Definitions are incorporated by reference in, and shall be deemed a part of, this Agreement and each Confirmation, as if set forth in full in this Agreement and each such Confirmation. In the event of any inconsistency between the provisions of this Schedule and the 2006 Definitions, this Schedule will prevail. In the event of any inconsistency between the provisions of a Confirmation for a particular Transaction and this Schedule, such Confirmation will prevail for purposes of the relevant Transaction.

b. Confirmations. For each Transaction, Party A shall promptly send to Party B a Confirmation setting forth the essential terms of such Transaction. Party B shall respond by confirming the terms stated in such Confirmation or requesting revisions of any error promptly upon receipt of such Confirmation from Party A. Failure of Party B to respond within such period shall not affect the validity or enforceability of such Transaction.

c. Waiver of Jury Trial. To the fullest extent permitted by law, each party irrevocably waives its right to trial by jury in any legal proceeding instituted in connection with this Agreement or any Transaction.

d. Limitation on Waiver of Sovereign Immunity. It is understood and agreed that, notwithstanding Section 13(d) of this Agreement or any other documentation relating to this Agreement, nothing therein shall operate as a waiver of, or impose any limitation on, the right of Party B with respect to itself and its revenues and assets, to claim immunity from punitive damages on the grounds of sovereign immunity.

e. Severability. If any term, provision, covenant or condition of this Agreement, or the application thereof to any party or circumstance, shall be held to be invalid or unenforceable (in whole or in part) for any reason, the remaining terms, provisions, covenants and conditions shall continue in full force and effect as if this Agreement had been executed with the invalid or unenforceable portion eliminated, so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of this Agreement and the deletion of such portion of this Agreement does not substantially impair the respective benefits or expectations of the parties to this Agreement.

f. Recording of Telephone Conversations. Each of Party A and Party B (i) consents to the recording of the telephone conversations of its trading and marketing personnel in connection with this Agreement and any potential Transaction and (ii) agrees to obtain the prior consent of such personnel, if required by law. No recording of any telephone conversation in which agreement to the terms of a Transaction is reached may be used as sufficient evidence of that Transaction if a Confirmation for such Transaction has been executed by both parties.

g. Change of Account. Section 2(b) of this Agreement shall be amended by adding the following before the period at the end of such section:-

; *provided* that such new account shall be in the same legal and tax jurisdiction as the original account

h. Expenses. Section 11 of this Agreement shall be revised by inserting after the word "against", in the first line, the words "all allocated costs of in-house counsel and," and by inserting after the words "Credit Support Document" in line 3, the following:-

(including, without limitation, any such costs and expenses incurred in connection with a work-out or otherwise, as a result of the occurrence of an Event of Default whether or not an Early Termination Date has occurred or been deemed to have occurred)

i. Loan Agreement. Until all of Party B's obligations (whether absolute or contingent) under this Agreement have been satisfied in full, Party B will at all times perform, comply with and observe all covenants and agreements of any Loan Agreement identified on Exhibit I hereto applicable to it, which covenants and agreement, together with related definitions and ancillary provisions, are hereby incorporated by reference (mutatis mutandis) and, for the avoidance of doubt, shall be construed to apply hereunder for the benefit of Party A as though (i) all reference therein to the party or parties making loans, extensions of credit or financial accommodations thereunder or commitment therefor ("Financings") were to Party A and (ii) to the extent that such covenant and agreements are conditioned on or relate to the existence of such Financings or Party B having any obligations arising out of or in connection therewith, all references to such Financings or obligations were to Party B's obligations under this Agreement.

IN WITNESS WHEREOF the parties hereto have affixed their signature hereto as of the date written above:

COBANK, ACB

Party A

By: 

Name: Irene Matlin

Title: Assistant Corporate Secretary

PENNICHUCK EAST UTILITY, INC.

Party B

By: Donald L. Ware

Name: Donald L. Ware

Title: President - Regulated Utilities

PENNICHUCK CORPORATION

Guarantor of Party A

By: Thomas C Leonard

Name: Thomas C Leonard

Title: CFO

EXHIBIT I

DESCRIPTION OF RELATED LOAN AGREEMENTS

Loan Agreement means the MASTER LOAN AGREEMENT, as supplemented by the PROMISSORY NOTE AND SUPPLEMENT, both dated as of February 9, 2010, between PENNICHUCK EAST UTILITY, INC. and COBANK, ACB, as the same exists on the date of execution of this Agreement and without regard to (i) any termination or cancellation thereof, whether by reason of payment of all indebtedness incurred thereunder or otherwise, or (ii) unless consented to in writing by Party A, any amendment, modification, addition, restatement, waiver or consent thereto or thereof.

GUARANTEE OF PAYMENT
(CONTINUING)

THIS GUARANTEE OF PAYMENT (this "Guaranty") is executed as of February 9, 2010, by **PENNICHUCK CORPORATION**, a New Hampshire corporation (hereinafter referred to as the "Guarantor"), in favor **CoBANK, ACB** (hereinafter referred to as "CoBank").

BACKGROUND

Pennichuck East Utility, Inc. (the "Company") has obtained or may desire at some point in time and/or from time to time to obtain loans, advances and other financial accommodations from CoBank. Owing to Company's financial condition and/or other factors, CoBank is not willing to extend or continue to extend credit to the Company without the guaranty of the Guarantor. Having a financial interest in the Company and expecting to benefit from such credit, the Guarantor is willing to furnish that guaranty.

NOW, THEREFORE, in order to induce CoBank to extend credit to the Company and for good and valuable other consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor agrees as follows:

SECTION 1. Guaranty. The Guarantor hereby unconditionally and irrevocably guarantees to CoBank the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all indebtedness, obligations and liabilities of the Company to CoBank, whether now existing or hereafter incurred, including, but not limited to, those under or arising out of or in connection with any loans, advances, acceptances, letters of credit, indemnities, foreign exchange contracts or any other kind of contract or agreement under which the Company may be indebted to CoBank in any manner, whether for principal, interest, fees, surcharges, expenses or otherwise. For ease of reference: (i) all such indebtedness, obligations and liabilities shall hereinafter be collectively referred to as the "Guaranteed Obligations"; and (ii) all instruments, documents and agreements evidencing or relating to the Guaranteed Obligations (including all loan agreements, promissory notes, reimbursement agreements, security agreements, mortgages and deeds of trust) shall hereinafter collectively be referred to as the "Loan Documents." Without limiting the foregoing, the Loan Documents shall include (but shall not be limited to) the: (1) Master Loan Agreement dated as of February 9, 2010, between the Company and CoBank (as amended or restated from time to time, the "MLA"); (2) Promissory Note and Supplement dated as of February 9, 2010, between the Company and CoBank and numbered RX0848T1; (3) Promissory Note and Supplement dated as of February 9, 2010, between the Company and CoBank and numbered RX0848T2; (4) all future Promissory Notes and Supplements issued under the Master Loan Agreement; (5) the ISDA 2002 Master Agreement dated as of February 9, 2010, between the Company and CoBank, and all schedules executed at any time in connection therewith; and (6) all amendments to and restatements of each of the foregoing.

SECTION 2. Guaranty of Payment; Waiver of Defenses, Etc. This Guaranty is a guarantee of payment and not of collection. The Guarantor acknowledges and agrees that this Guaranty is an absolute and independent obligation of the Guarantor, and therefore waives any right to require that any action be brought against the Company, another guarantor or any other person or entity which is liable for all or any part of the Guaranteed Obligations, or to require that resort be had at any time to any security for the Guaranteed Obligations or to any right of setoff or similar right. The Guarantor's obligations hereunder shall be payable on demand and shall be absolute and unconditional irrespective of (and the Guarantor hereby expressly waives any defense or claim of discharge based on): (i) the alteration or modification from time to time (whether material or otherwise) of the Guaranteed Obligations, including the date, time, and place of payment, an increase or decrease in the rate or rates of interest accruing on the Guaranteed Obligations, the period during which the Guaranteed Obligations may be made, the amount of the Guaranteed Obligations or otherwise; (ii) the waiver by CoBank of the Company's compliance with any of

the terms and conditions of the Loan Documents; (iii) the forbearance by CoBank from exercising any right or remedy it may have under the Loan Documents or under law; (iv) any inability, failure, neglect or omission to obtain, perfect, maintain, enforce, or realize upon any collateral for the Guaranteed Obligations, or to pursue or obtain any deficiency judgment against the Company following any foreclosure of any security interest, mortgage or deed of trust; (v) the loss or impairment of any collateral, the subordination or release of CoBank's lien thereon, or the sale, pledge, surrender, exchange or substitution of any collateral; (vi) CoBank releasing, waiving, discharging, or modifying the obligations of one or more other guarantors (whether a party hereto or to a separate agreement with CoBank); (vii) the acceptance by CoBank of any partial payment on the Guaranteed Obligations or any collateral therefor, or CoBank settling, subordinating, compromising, discharging, or releasing the Guaranteed Obligations or any collateral therefor; (viii) the enforceability of the Loan Documents; (ix) any defenses or counterclaims assertable by the Company, including any defense or counterclaim based on failure of consideration, fraud, statute of frauds, bankruptcy, statute of limitations, lender liability, and accord and satisfaction; (x) any setoff, counterclaim, recoupment or similar right assertable by the Company, the Guarantor, or other guarantor (whether a party hereto or to a separate guarantee); or (xi) any other circumstance which constitutes a legal or equitable discharge of a guarantor or surety. This Guaranty shall continue in full force and effect until five business days after written notice of termination shall have been received by CoBank. Notwithstanding the foregoing, such notice of termination shall not be effective as to any Guaranteed Obligations: (1) existing prior to the effective date of termination; (2) arising thereafter pursuant to any commitment to extend credit entered into prior to the effective date of such notice (regardless of whether CoBank has or from time to time acquires a right to suspend or terminate such commitment owing to the occurrence of a default or otherwise); (3) any extensions, renewals, or refinancings of any Guaranteed Obligations referred to in (1) or (2) above made before or after the effective date of termination; and (4) interest, fees, expenses, and other Guaranteed Obligations relating to any of the foregoing. In addition, no such notice of termination shall in any manner impair or alter CoBank's rights or obligations hereunder with respect to such Guaranteed Obligations (including under Sections 2 and 5 hereof) or affect or impair the obligations of any other guarantor (whether a party hereto or to a separate guarantee).

SECTION 3. Subordination and Subrogation. The Guarantor hereby agrees that all indebtedness and other obligations of the Company (now existing or hereafter incurred) to the Guarantor are and shall be subordinated in right of payment to the prior payment in full by the Company of its obligations to CoBank under the Loan Documents. During the existence of a "Default" or an "Event of Default under the Loan Documents, no payments by the Company shall be accepted by the Guarantor with respect to such subordinated obligations and, if any such payments are inadvertently received, the same shall be held in trust and promptly turned over to CoBank. The Guarantor hereby waives all claims, rights or remedies that it may have at law or in equity (including, without limitation, any law subrogating the Guarantor to the rights of CoBank) to seek contribution, indemnification, or any other form of reimbursement from the Company, any other guarantor, or any other person or entity now or hereafter primarily or secondarily liable for any obligations of the Guarantor to CoBank, for any disbursement made by the Guarantor under or in connection with this Guaranty or otherwise. The Guarantor hereby stipulates and agrees that any such disbursement made by the Guarantor shall be a contribution to the equity capital of the Company.

SECTION 4. Recovery of Payment. If any payment received by CoBank and applied to the Guaranteed Obligations is subsequently set aside, recovered, rescinded, or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Guarantor), the Guaranteed Obligations to which such payment was applied shall for the purposes of this Guaranty and all instruments or documents executed in connection herewith or securing the Guarantor's obligations hereunder, be deemed to have continued in existence, and this Guaranty shall be enforceable as to such Guaranteed Obligations as fully as if such applications had never been made.

SECTION 5. Information Regarding Company; Waiver of Notices, Etc. The Guarantor assumes responsibility for keeping fully informed of the financial condition of the Company, its liability hereunder and all other circumstances affecting the Company's ability to pay and perform the Guaranteed Obligations. The Guarantor agrees that CoBank shall have no duty to report to or notify the Guarantor of: (i) any information which CoBank shall receive about the financial condition of the Company (including adverse matters); (ii) the Company's performance under the Loan Documents (including nonpayment or the occurrence of any other default); (iii) any circumstances bearing on the Company's ability to perform the Guaranteed Obligations; (iv) any increases in the amount of the Guaranteed Obligations or any renewals, extensions or refinancing(s) of any Guaranteed Obligation; (v) any actions taken by CoBank or the Company under any Loan Document; (vi) any matters relating to another guarantor; (vii) any matter set forth in Section 2 hereof; or (viii) any other matter relating to the Guaranteed Obligations; and the Guarantor hereby expressly and unconditionally waives any defense or claim of discharge based on the failure of CoBank to report to or notify the Guarantor of any such information. In addition, the Guarantor hereby acknowledges that it has entered into this Guaranty based upon its own independent knowledge of or investigation into the affairs of the Company and any other guarantor (whether a party hereto or to a separate guarantee) and has not relied in any respect on CoBank or any officers, employees, or agents thereof.

SECTION 6. Representations and Warranties. The Guarantor hereby represents and warrants as follows:

(A) Organization; Power; Etc. The Guarantor: (i) is duly organized, validly existing, and in good standing under the laws of its state of incorporation or formation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform this Guaranty; and (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law, rule, regulation, ordinance, code, order or the like (collectively, "Laws").

(B) Due Authorization; No Violation; Etc. The execution and delivery by the Guarantor of, and the performance by the Guarantor of its obligations under, this Guaranty and all instruments and documents executed in connection herewith have been duly authorized by all requisite corporate or other action on the part of the Guarantor and do not and will not: (i) conflict with, or constitute (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Guarantor is a party or by which it or any of its property may be bound or affected, or with any provision of its articles of incorporation, bylaws or other organizational documents; (ii) require the consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Guarantor is a party or by which it or any of its property may be bound or affected, except as has been obtained and are in full force and effect; (iii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect applicable to it; or (iv) result in, or require, the creation or imposition of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties now owned or hereafter acquired.

(C) Binding Agreement. This Guaranty and each instrument and document executed in connection herewith is, or when executed and delivered will be, the legal, valid, and binding obligation of the Guarantor, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws affecting creditors' rights generally.

(D) **Litigation.** Except as disclosed in the Company's Application for Credit dated as of February 9, 2010 (the "Application"), there are no pending legal, arbitration, or governmental actions or proceedings to which the Guarantor is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Guarantor, or on the ability of the Guarantor to perform its obligations hereunder or under any instrument or document executed in connection herewith, and to the best of the Guarantor's knowledge, no such actions or proceedings are threatened or contemplated.

(E) **Financial Statements; No Material Adverse Change; Etc.** The annual audited consolidating and consolidated financial statements of the Guarantor and its consolidated subsidiaries, if any, for the fiscal year ended in 2008 and the interim consolidated financial statements of the Guarantor and its consolidated subsidiaries, if any, for the period ending on June 30, 2009, copies of which (together with all notes and schedules relating thereto) have been submitted to CoBank, are complete and correct and fairly present the financial condition of the Guarantor and the results of the Guarantor's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied. Since the date of the interim statements, there has been no material adverse change in the condition, financial or otherwise, business, or operations of the Guarantor. There are no liabilities of the Guarantor, fixed or contingent, which are material but which are not reflected in the financial statements or the notes thereto.

(F) **Title to Property.** The Guarantor has title to, or valid leasehold interests in, all of its property, real and personal, including the properties reflected in the financial statements referred to above (other than any property disposed of in the ordinary course of business).

(G) **Compliance with Laws, Environmental Matters, Etc.** All of the properties of the Guarantor and all of its operations are in compliance in all material respects with all applicable Laws including, without limitation, all Laws relating to the environment. No property owned or leased by the Guarantor is being used or, to its knowledge, has been used for the disposal, treatment, storage, processing or handling of hazardous waste or materials (as defined under any environmental Law) and no investigation, claim, litigation, proceeding, order, judgment, decree, settlement, Lien or the like with respect to any environmental matter is proposed, threatened, anticipated or in existence with respect to its properties or operations. In addition, no environmental contamination or condition currently exists on any property of the Guarantor or, to its knowledge, any adjoining property, which could delay the sale or other disposition of, or could have (or already has had) an adverse effect on the value of, its property.

(H) **Compliance With Guaranty.** As of the date hereof, the Guarantor is operating its business in compliance with all of the covenants set forth in this Guaranty.

SECTION 7. Affirmative Covenants. Unless otherwise agreed to in writing by CoBank, while this Guaranty is in effect, whether or not any Guaranteed Obligations are outstanding hereunder, the Guarantor agrees to, and agrees to cause each of its subsidiaries to:

(A) **Corporate Existence, Licenses. Etc.** Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by Law.

(B) **Compliance with Laws.** Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the

Guarantor agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

(C) **Insurance.** Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated.

(D) **Property Maintenance.** Maintain all of its property that is necessary to or useful in the proper conduct of its business in good working condition, ordinary wear and tear excepted.

(E) **Books and Records.** Keep adequate records and books of account in which complete entries will be made in accordance with GAAP consistently applied.

(F) **Inspection.** Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books, and records, and to discuss its affairs, finances, and accounts, with its respective officers, directors, employees, and independent certified public accountants.

(G) **Reports and Notices.** Furnish to CoBank:

(1) **Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Guarantor occurring during the term hereof, a copy of:

(a) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(b) consolidated statements of income, changes in shareholders' equity, and cash flows of the Guarantor and its Subsidiaries, for such year,

setting forth, in each case, in comparative form, the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an unqualified opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances; *provided* that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described above, shall be deemed to satisfy the requirements of this Subsection;

(2) **Quarterly Statements.** As soon as available, but in no event more than 60 days after the end of each fiscal quarter of the Guarantor (other than the last quarterly fiscal period of each such fiscal year), a copy of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission;

(3) **Notice of Default.** Promptly after becoming aware thereof, notice of the breach of any covenant contained in this Guaranty or any instrument or document executed in connection herewith.

(4) **Notice of Non-Environmental Litigation.** Promptly after the commencement thereof, notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Guarantor which, if determined adversely to the Guarantor, could have a material adverse effect on the financial condition, properties, profits, or operations of the Guarantor.

(5) **Notice of Environmental Litigation, Etc.** Promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or any other communication alleging a condition that may require the Guarantor to undertake or to contribute to a cleanup or other response under environmental Laws, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such Laws, or which claim personal injury or property damage to any person as a result of environmental factors or conditions.

(6) **Other Information.** Such other information regarding the condition or operations, financial or otherwise, of the Guarantor as CoBank may from time to time reasonably request, including but not limited to copies of all pleadings, notices, and communications referred to in Subsections 7(G)(iv) and (v) above.

(H) **Condemnation**. (1) Notify CoBank promptly after the litigation (or any portion thereof) referenced in the Application has been resolved or settled (including, without limitation, by entering into any agreement to sell assets or stock in lieu thereof); and (2) until CoBank notifies the Guarantor that it does not consider the outcome (or any portion of the outcome) thereof to give rise to an Event of Default under Section 8.13 of the MLA, it will retain from the proceeds thereof an amount in cash sufficient to pay all Guaranteed Obligations in full, plus, in the event any unused commitments are available to the Company, the amount thereof.

SECTION 8. Negative Covenants. Unless otherwise agreed to in writing by CoBank, while this Guaranty is in effect, whether or not any Guaranteed Obligations are outstanding, the Guarantor will not and will not permit its subsidiaries to:

(A) **Mergers, Acquisitions, Etc.** Merge or consolidate with any other entity or permit any subsidiary to merge or consolidate with any other entity, unless the Guarantor or such subsidiary is the surviving entity, or acquire all or a material part of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture.

(B) **Transfer of Assets.** Sell, transfer, lease, or otherwise dispose of any of its assets, except in the ordinary course of business.

(C) **Change in Business.** Engage in any business activities or operations substantially different from or unrelated to the Guarantor's present business activities or operations.

SECTION 9. Expenses. In the event CoBank employs counsel to protect or enforce its rights hereunder against the Guarantor, all reasonable attorneys' fees arising from such services and all expenses, costs, and charges in any way or respect arising in connection therewith or relating thereto shall be paid by such Guarantor.

SECTION 10. Notices. All notices provided for herein shall be in writing (including facsimile) and shall be mailed or delivered to the following addresses or facsimile numbers or to such other address or facsimile number as either party may specify by notice to the other:

If to CoBank, as follows:	If to the Guarantor, as follows:
CoBank, ACB	Pennichuck Corporation
5500 South Quebec Street	25 Manchester Street
Greenwood Village, Colorado 80111	Merrimack, New Hampshire 03054
Facsimile: (303) 740-4002	Facsimile: (603) 913-2305
Attention: Energy & Water Group	Attention: President

SECTION 11. Amendments, Etc. THIS WRITING IS INTENDED BY THE PARTIES AS A FINAL EXPRESSION OF THEIR AGREEMENT AND IS ALSO INTENDED AS A COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THAT AGREEMENT. NO AMENDMENT OR WAIVER OF ANY PROVISION OF THIS GUARANTY NOR CONSENT TO ANY DEPARTURE BY THE GUARANTOR HEREFROM SHALL BE EFFECTIVE UNLESS THE SAME SHALL BE IN WRITING AND SIGNED BY COBANK, AND THEN SUCH WAIVER OR CONSENT SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE AND FOR THE SPECIFIC PURPOSE FOR WHICH GIVEN.

SECTION 12. No Waiver; Remedies. No failure on the part of CoBank to exercise, and no delay in exercising, any right hereunder shall operate as waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 13. Applicable Law, Jurisdiction. Except to the extent governed by applicable federal law, the laws of the State of Colorado, without reference to choice of law doctrine, shall govern this Guaranty, all disputes and matters between the parties to this Guaranty, and the rights obligations of the parties to this Guaranty. The parties agree to submit to the non-exclusive jurisdiction of any federal or state court sitting in Colorado for any action or proceeding arising out of or relating to this Guaranty. The Company hereby waives any objection that it may have to any such action or proceeding on the basis of forum non-conveniens.

SECTION 14. Patriot Act Notice. CoBank hereby notifies the Guarantor that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "Patriot Act"), it and its affiliates are required to obtain, verify and record information that identifies the Guarantor, which information includes the name, address, tax identification number and other information regarding the Guarantor that will allow CoBank to identify the Guarantor in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective for CoBank and its affiliates.

SECTION 15. Successors and Assigns. This Guaranty shall be binding upon and inure to the benefit of the Guarantor and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Guaranty without the prior written consent of CoBank. CoBank may sell or assign its rights and obligations hereunder and under the other Loan Documents or may sell participations in its rights and obligations hereunder

SECTION 16. Notice of Acceptance. The Guarantor hereby waives notice of acceptance hereof.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed as of the date shown above by its duly authorized officers.

PENNICHUCK CORPORATION

By: _____

Title: CFO

RESOLUTION OF THE BOARD OF DIRECTORS
OF
PENNICHUCK CORPORATION

WHEREAS, from time to time, **PENNICHUCK EAST UTILITY, INC** (the "Company") may apply to **CoBANK, ACB** ("CoBank") for one or more loans or other financial accommodations, including interest rate SWAPS and other financial products (collectively, the "Loans"); and

WHEREAS, CoBank is unwilling to make Loans to the Company unless Pennichuck Corporation guarantees payment of same, and all interest, fees, and other obligations and liabilities arising in connection therewith (collectively, the "Guaranteed Obligations"); and

WHEREAS, the Guarantor deems it to be in its direct benefit and in its best interest for CoBank to make Loans to the Company and for it to guarantee the Guaranteed Obligations;

NOW, THEREFORE, BE IT RESOLVED, that the President and CEO and the Senior Vice President, Chief Financial Officer & Treasurer (the "Officers") of the Guarantor are hereby jointly and severally authorized and empowered by and on behalf of the Guarantor to: (1) execute and deliver to CoBank an absolute and unconditional continuing guarantee of payment in such form and containing such provisions as any one of said Officers so acting shall deem proper; (2) grant to CoBank, by means of such instruments and documents as may be agreeable to any Officer, a security interest in all or any part of the Guarantor's real and personal property as security for the Guarantor's obligations under the guarantee; and (3) execute such amendments, supplements, and restatements to any of the foregoing as any one of said Officers shall from time to time deem proper.

BE IT FURTHER RESOLVED, that each of the Officers are hereby jointly and severally authorized and directed to do and/or cause to be done, from time to time, all things which may be necessary and/or proper to carry out the intent of these Resolutions;

BE IT FURTHER RESOLVED, that all prior acts of the Officers or any one of them to accomplish the purposes of these Resolutions are hereby approved and ratified;

BE IT FURTHER RESOLVED, that the Secretary or any Assistant Secretary of the Guarantor is hereby authorized and directed to submit to CoBank a certified copy of these Resolutions, the names and specimen signatures of the Officers, and if and when any change is made in the personnel of any of said Officers, the fact of such change and the name and specimen signatures of the new Officers. CoBank shall be entitled to rely on any such certification until a new certification is actually received by CoBank.

CERTIFICATE

The undersigned, the Secretary of Pennichuck Corporation, a New Hampshire corporation, hereby certifies that the Board of Directors of the Guarantor, at a meeting duly called, noticed, convened, and held on January 27, 2010, at which a quorum was present, did adopt the foregoing Resolutions and that said Resolutions are in full force and effect on the date hereof.

Dated this 9th day of February, 2010.

By: 
Roland E. Oliver, Esq.

Title: _____
Secretary

CoBANK, ACB
INCUMBENCY CERTIFICATE

The undersigned, as Secretary of the Guarantor named below, hereby certifies that the following persons are the current, duly elected or appointed Officers enumerated in applicable Resolutions of the Guarantor's Board of Directors dated as of February 9, 2010, and that the following are the specimen signatures of those Officers:

OFFICERS

NOTE: INSERT THE NAMES AND OBTAIN THE SIGNATURES OF ONLY THOSE OFFICERS AUTHORIZED BY THE RESOLUTION REFERRED TO ABOVE.

CHAIRMAN

_____
Signature

_____
TYPE or PRINT name

PRESIDENT & CEO

_____
Signature

Duane C. Montopoli

VICE CHAIRMAN

_____
Signature

_____
TYPE or PRINT name

SR. VICE PRESIDENT, CFO & TREASIRER

_____
Signature

Thomas C. Leonard
TYPE or PRINT name

Dated this 9th day of February, 2010.

_____
Secretary of Pennichuck Corporation

Pennichuck Corporation
25 Manchester Street
Nashua, New Hampshire, 03054

Phone: (603) 913-2300
Fax No: (603) 913-2305

State of New Hampshire

OFFICE OF SECRETARY OF STATE

I, DAVID M. SCANLAN, Deputy Secretary of State of the State of New Hampshire, do hereby certify that the attached is a true copy of Restated Articles of Incorporation of PENNICHUCK CORPORATION formerly PENNICHUCK WATER WORKS, INC. formerly PENNICHUCK WATER WORKS formerly NASHVILLE AQUEDUCT, INC. as filed in this office and held in the custody of the Secretary of State.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Seal of the State, at Concord, this 5th day of February A.D. 2010*

Deputy Secretary of State

State of New Hampshire

Filed
Date Filed: 03/13/2008
Business ID: 30869
William M. Gardner
Secretary of State

Filing fee: $35.00
Use black print or type.
Form must be single-sided, on 8 ½ X 11" paper; double-sided copies will not be accepted.

Form 16
RSA 293-A:10.07

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)]

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)

(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 he 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 re4emption 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 part 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.

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 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 5th day of February, A.D. 2010

William M. Gardner
Secretary of State

CONSENT AND AGREEMENT

THIS CONSENT AND AGREEMENT (this " Agreement"), is entered into as of February 9, 2010, between and among **PENNICHUCK EAST UTILITY, INC.**, a New Hampshire corporation (the "Company"), **PENNICHUCK WATER WORKS, INC.,** a New Hampshire corporation (**"PWW"**), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

BACKGROUND

The Company and PWW are parties to a Cost Allocation and Services Agreement entered into as of January 1, 2006 (the "Services Agreement") pursuant to which the Company obtains services of various kinds from PWW in order to operate its business. In addition, from time to time after the date hereof, the Company may obtain other services from PWW (such other services being the "Other Services" and all instruments and documents relating thereto being the "Other Agreements").

CoBank and the Company have entered into a Master Loan Agreement dated as of February 9, 2010 (as amended or restated from time to time, the "MLA"), and various "Loan Documents" (as defined in the Master Loan Agreement), pursuant to which CoBank may from time to time make loans and extend other types of credit to or for the account of the Company. One of the conditions to CoBank's willingness to do so is that the Company and PWW enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, it is agreed that, notwithstanding any of the terms of the Services Agreement or any Other Agreement (it being understood that, to the extent inconsistent herewith, this Agreement supersedes the provisions of the Services Agreement and any Other Agreement) and unless CoBank otherwise consents in its sole discretion, while the Company is indebted to CoBank:

1. PWW will continue to perform its obligations under, and may not terminate, the Services Agreement or any Other Agreement: (a) notwithstanding the bankruptcy of the Company or any default by Company under the terms of the Services Agreement or Other Agreement, and (b) notwithstanding the occurrence of a Default or Event of Default (both as defined in the MLA or any other loan or other agreement between the Company and CoBank) or the exercise of any remedies by CoBank thereunder, and (c) to CoBank or any other person or entity who should acquire all or any material portion of the assets of the Company in any bankruptcy, foreclosure or similar proceeding (and, if CoBank or its nominee should acquire such interest, any assignee of CoBank or its nominee) for such transition period as may be reasonably required by CoBank or such other person or entity to enable CoBank or such other person or entity to perform such services on its own or to contract with others for same. For ease of reference, CoBank, any nominee of CoBank, any assignee of either or any other purchaser shall hereinafter be referred to as a "Purchaser". In addition, upon the expiration of any such transition period, PWW will: (1) turn over to any Purchaser, all books, records, computer programs (or rights to use same), engineering plans, construction plans, maps, surveys and all other information in its possession relating to the Company's systems and the services provided under the Services Agreement and the Other Agreements so that the business of the Company can continue to be properly operated and/or the services provided may continue uninterrupted; (2) assist in transition of customer service and accounting records to the Purchaser or its assignee's system; and (3) in the event that PWW owns or leases vehicles and other personal property which are utilized in connection with the rendering of services under the Services Agreement or Other Agreement and which, if the Services Agreement or Other Agreements were terminated, would be required by the Company in order to carry on its business as conducted prior to the termination, then, at the option of the Purchaser, PWW shall (subject to any consent required to be obtained from any lessor or other third party, which PWW agrees to diligently seek), sell or otherwise transfer such assets (or portions thereof as may be nominated) to the Purchaser upon such termination at

the net book value thereof or, in the case of leased assets, in consideration of the Purchaser assuming the obligations under the lease. Notwithstanding the foregoing, in the event such assets are taken in a condemnation or like proceeding or sold in lieu thereof then, subject to CoBank's rights under the MLA, PWW agrees to covey replacement assets to the Company at an equivalent price or to cause the "Guarantor" (as defined in the MLA) to do so.

2. The Company and PWW will renew the Services Agreement for one or more additional terms (so that at all times while the Company is indebted to CoBank, the Company will continue to have the services and equipment needed to operate the Company's assets). In addition, unless CoBank otherwise agrees: (1) PWW will enter into such Other Agreements with the Company as may from time to time be necessary in order for the Company to properly operate or for the Company to expand its services in the ordinary course of business; and (2) the Company may not terminate, and PWW will not accept any termination of, the Services Agreement or any Other Agreement.

3. Neither the Services Agreement nor any material Other Agreement may be amended in any material respect, and no material provision of the Services Agreement or Other Agreement may be waived by the Company, without the prior written consent of CoBank. In addition, the Company and PWW agree to provide to CoBank copies of all amendments to the Services Agreement and copies of all material Other Agreements.

4. The Company and PWW agree that all transactions entered into between the Company and PWW and all charges therefor will be in the ordinary course of and pursuant to the reasonable requirements of the business of the Company and upon fair and reasonable terms no less favorable to the Company than would obtain in a comparable arm's-length transaction with a person or entity that that is not an affiliate.

5. PWW hereby acknowledges that the Company's rights (but not its obligations) under the Services Agreement (and all agreements entered into pursuant to the terms thereof) have been or may be assigned to CoBank as security for all obligations of the Company to CoBank (whether now existing or hereafter arising), and PWW hereby consents thereto.

6. Nothing contained herein is intended to waive any rights which the Company or CoBank may have in any bankruptcy or other proceeding involving the Company, including, without limitation, the ability to assume and assign the Services Agreement or any Other Agreement.

7. PWW hereby irrevocably and unconditionally agrees that: (1) all indebtedness and other obligations of the Company (now existing or hereafter incurred) to PWW are and shall be subordinated in right of payment to the prior payment in full by the Company of its obligations to CoBank; (2) unless payments may be made to PWW under the express terms of the MLA, no payments made by the Company shall be accepted by PWW with respect to such subordinated obligations and, if any such payments are inadvertently received and accepted, the same shall, upon demand by CoBank, be promptly turned over to CoBank for application to the Company's obligations to CoBank or to be held as cash collateral for the Company's obligations to CoBank.

8. This Agreement is intended by the parties to be a complete and final expression of their agreement. This Agreement may not be amended, and no provision hereof may be waived, unless such amendment or waiver is contained in a writing signed by each of the parties hereto. Except to the extent governed by applicable federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Colorado. Each of the parties hereto agrees to submit to the non-exclusive jurisdiction of any federal or state court sitting in Colorado for the resolution of all disputes hereunder

and hereby waives any objection to such venue being an inconvenient forum. This Agreement may be executed in counterparts, all of which shall form one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Consent and Agreement as of the date first hereinabove shown.

PENNICHUCK EAST UTILITY, INC .

By: Donald L. Ware
Name: Donald L. Ware
Title: President - Regulated Utilities

CoBANK, ACB

By:
Name: Irene Matlin
Title: Assistant Corporate Secretary

PENNICHUCK WATER WORKS, INC.

By: Donald L. Ware
Name: Donald L. Ware
Title: President - Regulated Utilities

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NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, it is agreed that, notwithstanding any of the terms of the Services Agreement or any Other Agreement (it being understood that, to the extent inconsistent herewith, this Agreement supersedes the provisions of the Services Agreement and any Other Agreement) and unless CoBank otherwise consents in its sole discretion, while the Company is indebted to CoBank:

1. PWW will continue to perform its obligations under, and may not terminate, the Services Agreement or any Other Agreement: (a) notwithstanding the bankruptcy of the Company or any default by Company under the terms of the Services Agreement or Other Agreement, and (b) notwithstanding the occurrence of a Default or Event of Default (both as defined in the MLA or any other loan or other agreement between the Company and CoBank) or the exercise of any remedies by CoBank thereunder, and (c) to CoBank or any other person or entity who should acquire all or any material portion of the assets of the Company in any bankruptcy, foreclosure or similar proceeding (and, if CoBank or its nominee should acquire such interest, any assignee of CoBank or its nominee) for such transition period as may be reasonably required by CoBank or such other person or entity to enable CoBank or such other person or entity to perform such services on its own or to contract with others for same. For ease of reference, CoBank, any nominee of CoBank, any assignee of either or any other purchaser shall hereinafter be referred to as a "Purchaser". In addition, upon the expiration of any such transition period, PWW will: (1) turn over to any Purchaser, all books, records, computer programs (or rights to use same), engineering plans, construction plans, maps, surveys and all other information in its possession relating to the Company's systems and the services provided under the Services Agreement and the Other Agreements so that the business of the Company can continue to be properly operated and/or the services provided may continue uninterrupted; (2) assist in transition of customer service and accounting records to the Purchaser or its assignee's system; and (3) in the event that PWW owns or leases vehicles and other personal property which are utilized in connection with the rendering of services under the Services Agreement or Other Agreement and which, if the Services Agreement or Other Agreements were terminated, would be required by the Company in order to carry on its business as conducted prior to the termination, then, at the option of the Purchaser, PWW shall (subject to any consent required to be obtained from any lessor or other third party, which PWW agrees to diligently seek), sell or otherwise transfer such assets (or portions thereof as may be nominated) to the Purchaser upon such termination at

the net book value thereof or, in the case of leased assets, in consideration of the Purchaser assuming the obligations under the lease. Notwithstanding the foregoing, in the event such assets are taken in a condemnation or like proceeding or sold in lieu thereof then, subject to CoBank's rights under the MLA, PWW agrees to covey replacement assets to the Company at an equivalent price or to cause the "Guarantor" (as defined in the MLA) to do so.

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3. Neither the Services Agreement nor any material Other Agreement may be amended in any material respect, and no material provision of the Services Agreement or Other Agreement may be waived by the Company, without the prior written consent of CoBank. In addition, the Company and PWW agree to provide to CoBank copies of all amendments to the Services Agreement and copies of all material Other Agreements.

4. The Company and PWW agree that all transactions entered into between the Company and PWW and all charges therefor will be in the ordinary course of and pursuant to the reasonable requirements of the business of the Company and upon fair and reasonable terms no less favorable to the Company than would obtain in a comparable arm's-length transaction with a person or entity that that is not an affiliate.

5. PWW hereby acknowledges that the Company's rights (but not its obligations) under the Services Agreement (and all agreements entered into pursuant to the terms thereof) have been or may be assigned to CoBank as security for all obligations of the Company to CoBank (whether now existing or hereafter arising), and PWW hereby consents thereto.

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7. PWW hereby irrevocably and unconditionally agrees that: (1) all indebtedness and other obligations of the Company (now existing or hereafter incurred) to PWW are and shall be subordinated in right of payment to the prior payment in full by the Company of its obligations to CoBank; (2) unless payments may be made to PWW under the express terms of the MLA, no payments made by the Company shall be accepted by PWW with respect to such subordinated obligations and, if any such payments are inadvertently received and accepted, the same shall, upon demand by CoBank, be promptly turned over to CoBank for application to the Company's obligations to CoBank or to be held as cash collateral for the Company's obligations to CoBank.

8. This Agreement is intended by the parties to be a complete and final expression of their agreement. This Agreement may not be amended, and no provision hereof may be waived, unless such amendment or waiver is contained in a writing signed by each of the parties hereto. Except to the extent governed by applicable federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Colorado. Each of the parties hereto agrees to submit to the non-exclusive jurisdiction of any federal or state court sitting in Colorado for the resolution of all disputes hereunder

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By: Donald L. Ware
Name: Donald L. Ware
Title: President - Regulated Utilities

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MANCHESTER
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January 6, 2006

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 N. Fruit Street, Suite 10
Concord, NH 03301

Re: Pennichuck Water Works, Inc.
Pennichuck East Utility, Inc.
Pittsfield Aqueduct Company, Inc.

Dear Ms. Howland:

Enclosed for filing with the Commission, in accordance with RSA Ch. 366, are a Cost Allocation and Services Agreement and a Money Pool Agreement, both entered into by and among Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Pennichuck Water Service Corporation, and The Southwood Corporation. Please note that the Cost Allocation and Services Agreement supersedes a similar agreement that was filed with the Commission in 2002. The enclosed agreements are complete and accurate copies of the original agreements that are on file in the records of the above-captioned companies. A copy of this letter and the enclosed agreements are also being sent directly to Mark A. Naylor, Water and Gas Director.

Sincerely,

Steven V. Camerino

Enclosures

cc: Mark Naylor
William D. Patterson
Bonalyn J. Hartley

COST ALLOCATION AND SERVICES AGREEMENT

This AGREEMENT is entered into as of the 1st day of January, 2006 by and among Pennichuck Corporation ("PNNW"), Pennichuck Water Works, Inc. ("PWW"), Pennichuck East Utility, Inc. ("PEU"), Pittsfield Aqueduct Company, Inc. ("PAC"), Pennichuck Water Service Corporation ("PWSC") and The Southwood Corporation ("TSC").

WHEREAS, PNNW is a holding company and owns all of the issued and outstanding stock of PWW, PEU, PAC, PWSC and TSC (the "Subsidiaries"); and

WHEREAS, to the extent practicable PNNW operates the Subsidiaries as a single economic unit in order to take advantage of available economies of scale through common staffing and a common asset base; and

WHEREAS, PNNW exists and operates for the exclusive benefit of the Subsidiaries and does not conduct any separate operations for its own benefit; and

WHEREAS, in order to further the efficient and cost-effective operation of PNNW and all of its Subsidiaries, PEU, PAC, PWSC and TSC (the "Other Subsidiaries") and PNNW have no employees of their own, but rather rely upon and utilize personnel employed by PWW; and

WHEREAS, PWW leases a portion of an office building located at 25 Manchester Street, Merrimack, New Hampshire where its executive and administrative offices are located; and

WHEREAS, PWW owns certain equipment and other assets that it makes available to the Other Subsidiaries and PNNW for use by them; and

WHEREAS, PNNW and the Other Subsidiaries have no office facilities or office equipment of their own and rely exclusively on PWW to supply these items on an as-needed basis; and

WHEREAS, the services, facilities, and equipment of PWW that are provided to the Other Subsidiaries and PNNW are substantially the same as PWW would be required to provide for itself, individually, if the Other Subsidiaries and PNNW did not exist; and

WHEREAS, as a result of economies of scale there is an economic benefit to be derived by the parties hereto in using and sharing with each other the same officers, staff, office facilities and equipment, which would be more costly to each of them if they were obtained on an individual basis; and

WHEREAS, in particular, such economies of scale result in reduced operating and capital costs for each of the Subsidiaries and result in lower rates for customers of PEU, PAC and PWW (the "Regulated Subsidiaries") than could be achieved if the Regulated Subsidiaries operated on a stand-alone basis;

WHEREAS, based on the expectation and the representation by PWW that, because PWW and the Other Subsidiaries are under common control, the foregoing assets and services will continue to be available to them on an ongoing basis, the Other Subsidiaries and PNNW have not themselves acquired the assets or employed the individuals necessary to provide the services contemplated by this Agreement;

WHEREAS, the "Regulated Subsidiaries, in response to recommendations from the staff of the New Hampshire Public Utilities Commission, wish to amend the cost allocation methodology set forth in the Cost Allocation and Services Agreement among PNNW and the Subsidiaries that is currently on file with the Commission; and

WHEREAS, PNNW and the Subsidiaries wish to enter into this Agreement to reflect the unity of use of the employees of PWW and certain assets of PWW that are owned and operated by PWW for the benefit of all of the Subsidiaries and PNNW;

NOW THEREFORE, in consideration of the foregoing and the mutual agreements set forth below, the parties hereto agree as follows:

I. SERVICES

PWW shall furnish to PNNW and the Other Subsidiaries, and PNNW and the Other Subsidiaries shall utilize, all of the following services upon the terms and conditions hereinafter set forth:

A. Administrative. PWW shall provide the corporate administrative services required by the Other Subsidiaries and PNNW, including the formulation of recommendations to their respective Boards of Directors, the implementation of the decisions of their respective Boards of Directors, the responsibility for executive decisions, as appropriate, the preparation of contracts, the maintenance of all corporate records and documents, the filing with governmental authorities of all documents required by law or otherwise necessary for the continuance of the corporate existence of the Other Subsidiaries and PNNW, public relations, corporate communications and community affairs, and, in the case of PNNW, responsibility for shareholder relations.

B. Accounting and Financial. PWW shall provide such accounting and financial services to the Other Subsidiaries and PNNW as they may require. Such services shall include maintaining the general books of account of, and

preparing periodic financial statements and related reports for, the Other Subsidiaries and, on a consolidated basis, PNNW, advising and assisting in the preparation of budgets and planning for the Other Subsidiaries and PNNW, and preparing and filing, or assisting in the preparation and filing of, Federal, State and local tax returns and other reports required by regulatory agencies for the Other Subsidiaries and PNNW. Additionally, PWW shall be responsible for assisting the Other Subsidiaries and PNNW in their acquisition of capital and operating funds, through borrowing and, in the case of PNNW, through the issuance of equity securities. PWW shall prepare and monitor annual budgets for, and shall be responsible for data processing services to the Other Subsidiaries and PNNW, be responsible for securities compliance functions under both state and federal law, providing or procuring internal and external auditing and accounting services, rate and regulatory support, risk management (including procuring insurance coverage) financial planning and all treasury and finance functions.

C. Information Technology. PWW shall provide the Other Subsidiaries and PNNW with such information technology resources as they may require, including all hardware and software and related support, telecommunications, and customer billing and information services.

D. Customer Services. PWW shall provide the Other Subsidiaries such services and systems as they shall require for customer servicing, including meter reading and billing, payment remittance, credit, collections, customer relations, customer communications, customer offices and field operations.

E. Operating Services. PWW shall provide the Other Subsidiaries and PNNW with operating services, including materials management and purchasing, engineering, and facilities and system operation and maintenance.

II. OFFICE SPACE AND FACILITIES

PWW will utilize its premises at 25 Manchester Street, Merrimack, New Hampshire in order to conduct the administrative functions and perform the accounting and financial services required by this Agreement, and will utilize its office equipment on an as-needed basis in connection therewith and as otherwise required by the Other Subsidiaries and PNNW in connection with their operations.

III. FEE

A. The parties hereto agree that the activities undertaken, and costs and expenses incurred, by PNNW are undertaken or incurred for the benefit of the Subsidiaries and shall be allocated to the Subsidiaries in accordance with Section I of Appendix A. The parties agree that PNNW may from time to time, in its sole and absolute discretion, choose not to allocate certain expenses to the Subsidiaries and to bear such expenses itself.

B. In consideration for the services to be rendered, and the office space and facilities to be utilized by PWW as provided in this Agreement, the Other Subsidiaries and PNNW each agree to pay PWW a fee based on actual costs and expenses incurred by PWW which are appropriately allocable to their respective operations, in accordance with the allocation formulas set forth in Section II of Appendix A. In applying the allocation formulas, the parties will utilize data from the then-current fiscal year, except as

otherwise provided on Appendix A. The fee payable for such services will be charged periodically by PWW to PNNW and/or the Other Subsidiaries, as appropriate.

C. Notwithstanding the allocation formulas set forth in Appendix A, PWW shall endeavor, in those instances where it is practical to do so, to direct charge the Other Subsidiaries for expenses that are clearly identifiable as being for a single entity and for which the costs can be clearly and readily separated from other more general costs incurred by PWW. In addition, notwithstanding the allocation formulas set forth in Appendix A, in those cases where PWW incurs an outside expense, such as professional or consulting fees, that are incurred for the benefit of less than all of the Subsidiaries, such expense shall be allocated equally among the Subsidiaries for whose benefit the expense was incurred.

IV. TERMINATION

The term of this agreement shall be seven (7) years (the "Initial Term") beginning on January 1, 2006 and shall continue for an indefinite number of additional one (1) year terms thereafter (each of which is referred to as a "Renewal Term"), except that any party may terminate its participation in this Agreement by giving written notice at least one (1) year prior to the expiration of the Initial Term or any Renewal Term or such lesser notice as may be agreed upon by all of the parties hereto.

V. MISCELLANEOUS

This Agreement supersedes all prior agreements concerning the subject matter hereof between or among the parties hereto, or any of them. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their successors and assigns. This Agreement shall be governed by and construed under the laws of the State of New Hampshire.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date written above.

PENNICHUCK CORPORATION

BY: _____
William D. Patterson, Vice President

PENNICHUCK WATER WORKS, INC.

BY: _____
William D. Patterson, Vice President

PENNICHUCK EAST UTILITY, INC.

BY: _____
William D. Patterson, Vice President

PITTSFIELD AQUEDUCT COMPANY, INC.

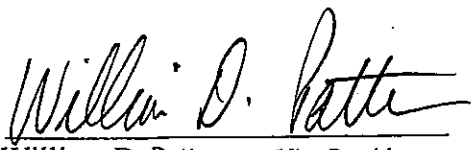
BY: _____
William D. Patterson, Vice President

PENNICHUCK WATER SERVICE CORPORATION

BY: _____

William D. Patterson, Vice President

THE SOUTHWOOD CORPORATION

BY: 

William D. Patterson, Vice President

I. PNNW Expenses

All overhead expenses incurred by PNNW that are allocated to the Subsidiaries shall be allocated in accordance with the following formula:

$$\text{PNNW Expense} \times \frac{\left[\frac{\text{Revenue of Subsidiary}}{\text{Combined Revenue of All Subsidiaries}} + \frac{\text{Assets of Subsidiary}}{\text{Combined Assets of All Subsidiaries}}\right]}{2}$$

Such expenses may be allocated monthly based on estimated or projected data, but shall be adjusted quarterly based on actual data to the extent reasonably available.

II. Allocable Expenses Not Incurred By PNNW Or Directly Charged To A Subsidiary Other Than PWW

Expenses that are neither incurred by PNNW nor directly charged to one of the Other Subsidiaries (i.e., a Subsidiary other than PWW) and which, if charged to PWW, are not incurred for the exclusive benefit of PWW and its customers shall be allocated among the Subsidiaries in accordance with the following two step process.

(a) First, such expenses will be allocated to PWSC, TSC and the Regulated Subsidiaries (taken as a whole) in accordance with the following formulas:

$$\%\ \text{Allocated to PWSC} = \frac{\frac{\text{Revenue of PWSC}}{\text{Combined Revenue of All Subsidiaries}} + \frac{\text{PWW Employees Dedicated to PWSC}}{\text{Total PWW Employees}} + \frac{\text{Square Footage of Headquarters Office Used by PWSC}}{\text{Total Square Footage of Headquarters Office}} + \frac{\text{PWSC Assets}}{\text{Combined Assets of All Subsidiaries}}}{4}$$

APPENDIX A

$$\% \text{ Allocated to TSC} = \frac{\dfrac{\text{Revenue of TSC}}{\text{Combined Revenue of All Subsidiaries}} + \dfrac{\text{Square Footage of Headquarter Office Used by TSC}}{\text{Total Square Footage of Headquarters Office}} + \dfrac{\text{TSC Assets}}{\text{Combined Assets of All Subsidiaries}}}{4}$$

(Note: PSC employees are directly allocated and, therefore, are not included in the numerator of the above formula.)

$$\% \text{ Allocated to Regulated Subsidiaries} = \frac{\dfrac{\text{Combined Revenues of Regulated Subsidiaries}}{\text{Revenues of All Subsidiaries}} + \dfrac{\text{(PWW Employees - PWSC Dedicated Employees)}}{\text{Total PWW Employees}} + \dfrac{\text{Square Footage of Headquarters Office Used by Regulated Subsidiaries}}{\text{Total Square Footage of Headquarters Office}} + \dfrac{\text{Regulated Subsidiaries' Assets}}{\text{Combined Assets of All Subsidiaries}}}{4}$$

(b) Second, the portion of such expenses that is allocated to the Regulated Subsidiaries in accordance with the foregoing shall in turn be allocated to each of the Regulated Subsidiaries in accordance with the following formula:

$$\frac{\dfrac{\text{Revenue of Subsidiary}}{\text{Combined Revenue of All Regulated Subsidiaries}} + \dfrac{\text{Average Rate Base of Subsidiary}}{\text{Combined Average Rate Base of All Regulated Subsidiaries}} + \dfrac{\text{Subsidiary's Number of Customers}}{\text{Combined Number of Customers of All Regulated Subsidiaries}}}{3}$$