

PENNICHUCK CORPORATION

Insider Trading Policy
(Adopted July 29, 2005)

1. BACKGROUND AND PURPOSE

Pennichuck Corporation (the “Company”) is adopting this Insider Trading Policy in light of federal securities laws that prohibit any member of the Board of Directors of the Company (a “Director”¹) or employee of the Company² from (1) purchasing or selling Company securities on the basis of material nonpublic information³ concerning the Company, or (2) disclosing material nonpublic information to others who might trade on the basis of that information. These laws impose severe sanctions on individuals who violate them. In addition, the SEC has the authority to impose large fines on the Company and on the Company’s Directors, executive officers and controlling stockholders if the Company’s employees engage in insider trading and the Company has failed to take appropriate steps to prevent it (so-called “controlling person” liability).

This Insider Trading Policy is intended to help:

- prevent inadvertent violations of the insider trading laws;
- avoid embarrassing proxy disclosure of reporting violations by persons subject to Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”);
- avoid even the appearance of impropriety on the part of those employed by, or associated with, the Company;
- protect the Company from controlling person liability; and
- protect the reputation of the Company, its Directors and its employees.

¹ “Director” shall include any Senior Director, as such position is described in the Bylaws of Pennichuck Corporation. Nothing contained in this policy, however, shall be deemed to require a Senior Director to file reports under Section 16 of the Exchange Act or to constitute an admission that Section 16 applies to a Senior Director.

² As used in this policy, the term “Company” includes any direct or indirect subsidiary of the Company. As of the date of this was adopted, the Company’s subsidiaries are Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, Inc., Pennichuck Water Service Corporation, and The Southwood Corporation.

³ Information is material if its disclosure would alter the total mix of facts available to the investor and if there is a substantial likelihood that a reasonable shareholder would consider it important to the investment decision. Information is “nonpublic” if it has not been disseminated in a manner making it available to investors generally.

2. COMPLIANCE OVERSIGHT BY CHIEF FINANCIAL OFFICER

2.1 The Board of Directors has designated the Company's Chief Financial Officer to oversee compliance with its Insider Trading Policy. The duties of the Chief Financial Officer will include:

- reviewing and either approving or prohibiting proposed trades in accordance with the procedures set forth below in Section 6;
- announcing any special trading blackout periods (as discussed in Section 4);
- providing copies of this policy and other appropriate materials to all current and new Directors, officers and employees, and such other persons whom the Chief Financial Officer determines have access to material nonpublic information concerning the Company;
- administering this policy; and
- maintaining as Company records originals or copies of all documents required by the provisions of this policy and copies of all required SEC reports relating to insider trading.

The Chief Financial Officer may designate one or more individuals who may perform the Chief Financial Officer's duties under this Insider Trading Policy in the event that the Chief Financial Officer is unable or unavailable to perform such duties.

3. PROHIBITION ON TRADING WHILE AWARE OF MATERIAL NONPUBLIC INFORMATION; PROHIBITION ON TIPPING OTHERS

3.1 This Section 3 applies to:

- all Directors;
- all employees;
- all family members of Directors and employees who share the same address as, or are financially dependent on, the Director or employee; and
- all corporations, partnerships, trusts or other entities owned or controlled by any of the above persons.

3.2 No person covered by this Section 3 may:

- purchase or sell any securities of the Company while he or she is aware of any material nonpublic information concerning the Company;

- disclose to any other person any material nonpublic information concerning the Company if it is reasonably foreseeable that such person may use that information in purchasing or selling Company securities;
- purchase or sell any securities of another company while he or she is aware of any material nonpublic information concerning such other company which he or she learned in the course of his or her service as a Director or employee of the Company; or
- disclose to any other person any material nonpublic information concerning another company which he or she learned in the course of his or her service as a Director or employee of the Company if it is reasonably foreseeable that such person may use that information in purchasing or selling securities of such other company.

3.3 The prohibition on purchases and sales of Company securities while aware of material nonpublic information concerning the Company does not apply to a transaction pursuant to a trading plan which complies with Section 4.3 of this Insider Trading Policy.

4. BLACKOUT PERIODS

4.1 This Section 4 applies to:

- all Directors;
- all executive officers;
- such other employees as are designated from time to time by the Board, the Chief Executive Officer or Chief Financial Officer as being subject to this Section 4;
- all family members of Directors, executive officers and designated employees who share the same address as, or are financially dependent on, the Director, executive officer or designated employee; and
- all corporations, partnerships, trusts or other entities owned or controlled by any of the above persons.

4.2 No person covered by this Section 4 may make any purchase or sale of securities of the Company during the following time periods (each, a “blackout period”):

- beginning the earlier of the tenth day of the third month of any fiscal quarter or the date on which the Company’s operating results for the second month of any fiscal quarter are first made available to senior management, and ending upon the completion of the second full trading day after the public announcement of earnings for such quarter;

- beginning at the time of any public earnings-related announcement or public announcement of a significant corporate transaction or event and ending upon the completion of the second full trading day after such announcement; or
- during such other periods as may be established from time to time by the Board, the Company's Chief Executive Officer or the Company's Chief Financial Officer, in light of particular events or developments affecting the Company.

In addition, no person covered by this Section 4 shall inform a person not covered by this Section 4 that a blackout period imposed as a result of particular events or developments is in effect.

4.3 Unless the Chief Financial Officer otherwise determines either generally or on a case-by-case basis, the prohibition on purchases and sales of Company securities during blackout periods does not apply to any of the following:

- purchases made under an employee stock purchase plan operated by the Company; provided, however, that the securities so acquired may not be sold during a blackout period;
- purchases of shares of common stock through the reinvestment of dividends pursuant to the Company's Dividend Reinvestment and Common Stock Purchase Plan; provided, however, that any purchase of shares through the Dividend Reinvestment and Common Stock Purchase Plan which does not involve the reinvestment of dividends is prohibited during a blackout period unless the Chief Financial Officer otherwise provides;
- exercises of stock options or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations, in each case in a manner permitted by the applicable stock option; provided, however, that the securities so acquired may not be sold (either outright or in connection with a "cashless" exercise transaction through a broker) during a blackout period;
- purchases of securities from the Company or sales of securities to the Company; and
- purchases or sales made pursuant to a binding contract, written plan or specific instruction (a "trading plan") which is adopted and operated in compliance with SEC Rule 10b5-1; provided, such trading plan: (1) is in writing; (2) was submitted to the Company for review by the Company prior to its adoption; and (3) was not adopted during a blackout period; and; provided, further, that if such trading plan provides for trades to occur only once per quarter or less frequently (other than a plan that relates solely to the immediate sale of shares acquired under an employee stock purchase plan) such trading plan may not provide for trades to occur during a regularly scheduled quarter-end blackout period.

5. **HARDSHIP EXEMPTIONS**

5.1 The Chief Financial Officer may, on a case-by-case basis, authorize trading in Company securities by a person covered by Section 4 outside of the applicable trading windows due to financial or other hardships only after:

- the person desiring to effect a trade has notified the Chief Financial Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade;
- the person desiring to effect a trade has certified to the Chief Financial Officer in writing no earlier than two business days prior to the proposed trade that he or she is not aware of material nonpublic information concerning the Company, and;
- the Chief Financial Officer has approved the trade.

5.2 The existence of these approval procedures does not in any way obligate the Chief Financial Officer to approve any trade requested by a hardship applicant. The Chief Financial Officer may reject any hardship exemption requests at his or her sole discretion.

6. PRE-CLEARANCE PROCEDURES FOR APPROVING TRADES

6.1 This Section 6 applies to:

- all Directors;
- all executive officers;
- such other employees as are designated from time to time by the Board, the Chief Executive Officer or Chief Financial Officer as being subject to this Section 6;
- all family members of Directors and executive officers who share the same address as, or are financially dependent on, the Director, executive officer or designated employee; and
- all corporations, partnerships, trusts or other entities owned or controlled by any of the above persons.

6.2 No person covered by this Section 6 may make any purchase or sale of securities of the Company (including derivative securities) until:

- he or she has notified the Chief Financial Officer of the amount and nature of the proposed trade using the Stock Transaction Request form attached to this Insider Trading Policy. In order to provide adequate time for the preparation of any required reports under Section 16 of the Exchange Act, a Stock Transaction Request form should, if practicable, be received by the Chief Financial Officer at least two business days prior to the intended trade date;
- he or she has certified to the Chief Financial Officer in writing prior to the proposed trade that:

- he or she is not in possession of material, nonpublic information concerning the Company; and
- to the best of his or her knowledge, the proposed trade does not violate the trading restrictions of Section 16 of the Exchange Act or Rule 144 of the Securities Act of 1933, as amended; and
- the Chief Financial Officer or his or her designee has approved the trade and has certified such approval in writing. Such certification may be made via electronic mail.

6.3 Persons desiring to trade shall provide to the Chief Financial Officer any documentation reasonably requested by him or her in furtherance of the foregoing procedures. And failure to provide such requested information will be grounds for denial of approval by the Chief Financial Officer.

6.4 The existence of the foregoing approval procedures does not in any way obligate the Chief Financial Officer to approve any trade requested. The Chief Financial Officer may reject any trading request at his or her sole reasonable discretion.

6.5 If the proposed trade is not completed within three business days after receipt of written certification of Chief Financial Officer approval, a new trading request must be made.

7. OTHER PROHIBITIONS ON TRADING ACTIVITIES

7.1 This Section applies to:

- all Directors;
- all executive officers;
- all family members of Directors and executive officers who share the same address as, or are financially dependent on, the Director or executive officer; and
- all corporations, partnerships, trust or other entities owned or controlled by any of the above persons.

7.2 No person covered by this Section may engage in any of the following types of transactions:

- short sales of company securities, except for transactions made in compliance with Section 16(c) of the Exchange Act; or
- purchases or sales of puts or calls for speculative purposes.

7.3 While purchases or sales of puts or calls in connection with valid hedging transactions are not prohibited by this Section 7, any person proposing to engage in such transactions should obtain appropriate legal and financial counseling.

8. PENALTIES FOR VIOLATION

Violation of any of the foregoing rules is grounds for disciplinary action by the Company, including employment termination.

9. COMPANY ASSISTANCE AND EDUCATION

9.1 The Company shall take reasonable steps designed to ensure that all Directors and employees of the Company are educated about, and periodically reminded of, the federal securities law restrictions and Company policies regarding insider trading. Directors and employees shall be required to certify their understanding of, and intent to comply with, the Company's Insider Trading Policy.

9.2 The Company shall provide reasonable assistance to all Directors and executive officers, as requested by such Directors and executive officers, in connection with the filing of Forms 3, 4 and 5 under Section 16 of the Exchange Act. However, the ultimate responsibility, and liability, for timely filing remains with the Directors and executive officers.

PENNICHUCK CORPORATION

Receipt and Acknowledgment

I, _____, hereby acknowledge that I have received and read, that I understand, and that I agree to comply with the Insider Trading Policy of Pennichuck Corporation (the "Company"). I understand that violation of insider trading or disclosure laws or regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the Insider Trading Policy may subject me to discipline by the Company up to and including termination for cause. I also understand and agree that the Company may give a stop-transfer and other instructions to the Company's transfer agent against the transfer of Company securities by the undersigned in a transaction that the Company considers to be in contravention of the Insider Trading Policy.

Signature

Date

