PHILADELPHIA SUBURBAN CORP
Form S-4/A
January 13, 2003

QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on January 13, 2003

Registration No. 333-101556

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PHILADELPHIA SUBURBAN CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Pennsylvania	**4941**	**23-1702594**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

762 West Lancaster Ave.
Bryn Mawr, Pennsylvania 19010-3489
(610) 525-1400
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

Roy H. Stahl
Philadelphia Suburban Corporation
Executive Vice President and General Counsel
762 West Lancaster Ave.
Bryn Mawr, Pennsylvania 19010-3489
(610) 525-1400
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

Copies to:

Stephen A. Jannetta **Richard A. Silfen** **Morgan, Lewis & Bockius LLP** **1701 Market Street** **Philadelphia, PA 19103-2921** **(215) 963-5000**	**Michael K. Krebs** **Alexander S. Glovsky** **Nutter, McClennen & Fish, LLP** **One International Place** **Boston, Massachusetts 02110-2699** **(617) 439-2288**

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective and all other conditions to the merger pursuant to the Agreement and Plan of Merger described herein, have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $0.50 par value per share(1)	3,554,255 (2)	N/A	$67,741,409 (3)	$6,232.21 (4)

(1) Includes rights to purchase Series A Junior Participating Preferred Stock of Philadelphia Suburban Corporation. No separate consideration is paid for these rights, and, as a result, the registration fee for these rights is included in the fee for the shares of Common Stock.

(2) Represents the maximum number of shares of Philadelphia Suburban Corporation common stock, par value $0.50 per share, estimated to be issuable in the merger pursuant to the Agreement and Plan of Merger dated April 29, 2002 by and among Philadelphia Suburban Corporation, Raleigh Acquisition Corporation and Pennichuck Corporation.

(3) Pursuant to Rules 457(c) and 457(f)(1) under the Securities Act of 1933, as amended, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to 2,476,834, the estimated maximum number of shares of Pennichuck Corporation common stock to be exchanged in the merger, multiplied by $27.35, the average of the high and low sale prices per share of Pennichuck Corporation common stock on The NASDAQ National Market on November 25, 2002.

(4) Previously paid.

The information in this prospectus is not complete and may be changed. PSC may not sell or accept offers to buy these securities before the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 13, 2003

Prospectus of Philadelphia Suburban Corporation and Proxy Statement for a Special Meeting of Shareholders of Pennichuck Corporation

To the Shareholders of Pennichuck Corporation:

Pennichuck Corporation has entered into a merger agreement which provides for the acquisition of Pennichuck by Philadelphia Suburban Corporation, or PSC. We are asking you to vote in favor of this important transaction.

If the merger is completed, Pennichuck shareholders will receive shares of PSC common stock for each share of Pennichuck common stock that they own. Holders of Pennichuck common stock will not know at the time that they vote the number of PSC shares that they will receive in the merger. The number of PSC shares received will depend upon the average closing price of PSC common stock for the 20 consecutive trading days ending the third full trading day before the closing of the merger. Specifically, if the average closing price of PSC common stock:

is not less than $23.00 but not greater than $25.00, each share of Pennichuck common stock will be converted into a number of shares of PSC common stock equal to $33.00 divided by such average closing price rounded to the nearest thousandth;

is less than $23.00, each share of Pennichuck common stock will be converted into 1.435 shares of PSC common stock; or

is greater than $25.00, each share of Pennichuck common stock will be converted into 1.320 shares of PSC common stock.

PSC common stock is traded on both the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol "PSC."

We cannot complete the merger unless Pennichuck shareholders approve the merger agreement. **Your vote is very important.** A special meeting of Pennichuck shareholders has been called for the purpose of voting on the merger agreement. Whether or not you plan to attend the special meeting, please take the time to vote on the proposal to approve the merger agreement by completing and mailing the enclosed proxy card to us. **The Pennichuck board of directors by a vote of five to four, recommends that you vote FOR the approval of the merger agreement and believes that the merger with PSC is in the best interest of Pennichuck shareholders.** PSC shareholders are not being asked to vote on the merger agreement because their approval is not required.

The special meeting of Pennichuck shareholders will be held on February , 2003 at the Nashua Marriott, 2200 Southwood Drive, Nashua, New Hampshire at , local time.

We urge you to read this entire proxy statement-prospectus, including all its appendices, and in particular, the detailed information about the merger and those matters discussed in "Risk Factors" beginning on page 16.

Maurice L. Arel
President and Chief
Executive Officer
Pennichuck Corporation

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the shares to be issued in the merger and described in this proxy statement prospectus or passed upon the adequacy or accuracy of this proxy statement prospectus. Any representation to the contrary is a criminal offense.

This proxy statement prospectus is dated , 2003 and was mailed to you on or about , 2003.

This document incorporates important business and financial information about PSC and Pennichuck much of which is not delivered with this document. This information is available to you without charge upon written or oral request at the applicable company's address and telephone number listed on page 83. To obtain timely delivery, you must request the information no later than , 2003.

Pennichuck Corporation

4 Water Street
Nashua, New Hampshire 03061
Notice of Special Meeting of Shareholders
To Be Held February , 2003

A special meeting of shareholders of Pennichuck Corporation will be held at the Nashua Marriott, 2200 Southwood Drive, Nashua, New Hampshire on February , 2003 at , local time.

The special meeting will be held to consider and act upon a proposal to approve the Agreement and Plan of Merger, dated as of April 29, 2002, among Pennichuck, PSC and Raleigh Acquisition Corporation, a wholly-owned subsidiary of PSC. PSC proposes to acquire Pennichuck through a merger of Raleigh Acquisition Corporation with and into Pennichuck in which all of the outstanding shares of Pennichuck common stock will be exchanged for shares of PSC common stock, as more fully described in this proxy statement prospectus. A copy of the merger agreement is included in this proxy statement prospectus as Appendix A.

Approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Pennichuck common stock. The Pennichuck board has fixed the close of business on January 16, 2003 as the record date for the determination of Pennichuck shareholders who will be entitled to notice of and to vote at the special meeting.

Your proxy vote is very important. Whether or not you plan to attend the special meeting, you are requested to vote, date and sign the enclosed proxy and promptly return it in the enclosed postage-paid envelope at your earliest convenience prior to the special meeting. If you attend the special meeting, you may vote either in person or by your proxy. You may revoke your proxy at any time before the vote is taken by delivering to the Secretary of Pennichuck a written revocation or a proxy card with a later date or by voting your shares in person at the special meeting.

The Pennichuck board of directors, by a vote of five to four, recommends that you vote FOR approval of the merger agreement because it believes that the merger with PSC is in the best interest of Pennichuck shareholders.

If the merger agreement is approved by the Pennichuck shareholders at the special meeting and effected by Pennichuck and PSC, any Pennichuck shareholder who does not vote in favor of the merger agreement may elect to exercise his or her or its dissenters' rights as described under "The Merger Dissenters' Rights" on page 52 and in Sections 13.01 through 13.31 of the New Hampshire Business Corporation Act included in this proxy statement prospectus as Appendix B.

By Order of the Board of Directors,

John T. Pendleton, Secretary
Nashua, New Hampshire , 2003

Table of Contents

ANSWERS TO FREQUENTLY ASKED QUESTIONS ABOUT THE MERGER

Q:

When and where will the special meeting be held?

The special meeting will be held on February , 2003 at , local time, at the Nashua Marriott, 2200 Southwood Drive, Nashua, New Hampshire.

Q:

What will I be voting on at the special meeting?

You will be voting on a merger agreement pursuant to which a subsidiary of PSC will merge with and into Pennichuck, resulting in Pennichuck becoming a wholly owned subsidiary of PSC.

Q:

What will I receive as a result of the merger?

If the merger is completed, in exchange for each of your shares of Pennichuck common stock, you will receive shares of common stock of PSC as consideration in the merger unless you have properly exercised your dissenters' rights under New Hampshire law.

You will not know at the time you vote the number or value of PSC shares that you will receive in the merger.

The number of shares of PSC common stock you will receive will depend upon the average closing price of PSC common stock for the 20 consecutive trading days ending the third full trading day before the closing of the merger. Specifically, if such average closing price of PSC common stock:

- is not less than $23.00 but not greater than $25.00, each share of Pennichuck common stock will be converted into a number of shares of PSC common stock equal to $33.00 divided by such average closing price, rounded to the nearest thousandth;

- is less than $23.00, each share of Pennichuck will be converted into 1.435 shares of PSC common stock; or

- is greater than $25.00, each share of Pennichuck will be converted into 1.320 shares of PSC common stock.

No fractional shares of PSC common stock will be issued. Instead, you will receive a check in payment for any fractional shares based on the average closing sale prices of PSC common stock referred to above. Pennichuck shareholders will not receive interest on any cash payments received in the merger.

Pennichuck shareholders may make inquiries as to the estimated exchange ratio at a particular point in time by calling Pennichuck Shareholder Relations at (603) 882-5191.

The shares of PSC common stock issued in connection with the merger will be listed on both the New York Stock Exchange and the Philadelphia Stock Exchange under the ticker symbol "PSC."

Q:

When do you expect the merger to be completed?

We are working toward completing the merger as quickly as possible.

Completion of the merger is conditioned upon, among other things, approval of the merger by the New Hampshire Public Utilities Commission and the expiration of the applicable appeal period.

We hope to complete the merger promptly following the Pennichuck special meeting and receipt of the Public Utilities Commission approval.

Q:

Who can vote at the special meeting?

Holders of shares of Pennichuck common stock at the close of business on January 16, 2003 may vote at the special meeting. You will have one vote at the special meeting for each share of Pennichuck common stock you owned on the record date.

Q:

What vote is required?

Approval of the merger agreement requires the affirmative vote of a majority of the outstanding shares of Pennichuck common stock. On the record date, there were shares of Pennichuck common stock

outstanding. Pennichuck directors, executive officers and their affiliates beneficially own an aggregate of 180,654 shares, or approximately 7.3%, of the outstanding shares of Pennichuck common stock entitled to vote at the special meeting.

None of our directors or executive officers has entered into voting agreements or has otherwise committed to voting their shares in any particular way. As of the date of this proxy statement prospectus, none of Pennichuck's directors has advised Pennichuck that he or she intends to oppose the approval of the merger agreement.

Q:

What do I need to do now?

A:

After carefully reading and considering the information contained in this proxy statement prospectus, please mail your completed and signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. To assure that your vote is obtained, please give your proxy as instructed on your proxy card even if you currently plan to attend the meeting in person.

Q:

What should I do if I want to change my vote?

A:

You may change your vote or revoke your proxy at any time prior to the vote at the special meeting. To do so, you may send in a later dated, signed proxy card or provide written notice to Pennichuck's Secretary stating that you would like to revoke your proxy. The last recorded vote will be that which is counted at the special meeting. In addition, you may attend the special meeting in person and vote. If you instruct a broker or other record holder to vote your shares, you must follow directions received from your broker or record holder to change your voting instructions.

Q:

My shares are held in my broker's name. Will my broker vote my shares for me?

A:

A broker generally cannot exercise authority to vote on the merger agreement on your behalf unless you have a special arrangement. As a result, your broker will vote your shares only if you provide instructions on how to vote. You should contact your broker and follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q:

What will happen if I fail to vote?

A:

The failure to vote has the same effect as a vote against the approval of the merger agreement.

Q:

Do I need to send in my stock certificates at this time?

A:

No. If the merger is completed, Equiserve, L.P., the exchange agent, will send you written instructions explaining how to exchange your share certificates for the appropriate number of shares of PSC common stock.

Q:

Who can help answer my questions?

A:

If you have questions about the merger or if you need additional copies of this document, the enclosed proxy card or the letter of transmittal, you should contact:

Pennichuck Corporation
4 Water Street
Nashua, New Hampshire 03061
Attention: Shareholder Relations
Telephone: (603) 882-5191

or

MacKenzie Partners, Inc.
156 5th Avenue
New York, NY 10010
Telephone: (212) 929-5500 or
(800) 322-2885

SUMMARY

This summary highlights selected information contained in this proxy statement prospectus and may not contain all the information that is important to you. For a more complete understanding of the proposed merger, you should read carefully this entire proxy statement prospectus as well as the other documents to which we refer, including the Appendices. In addition, for information on Pennichuck's and PSC's filings with the SEC, see "Where You Can Find More Information" on page 82. We have included page references parenthetically to direct you to the more detailed description of each topic presented in this summary.

The Companies (see page 77)

Philadelphia Suburban Corporation
762 West Lancaster Avenue
Bryn Mawr, Pennsylvania 19010
(610) 527-8000

Philadelphia Suburban Corporation was incorporated in 1968 and has been providing water services through its predecessor companies since 1886. PSC is currently the holding company for regulated utilities providing water or wastewater services to approximately 2 million people in Pennsylvania, Ohio, Illinois, New Jersey, Maine and North Carolina. PSC's two primary subsidiaries are:

Pennsylvania Suburban Water Company, a regulated public utility that provides water or wastewater services to approximately 1.3 million residents in the five suburban counties north and west of the City of Philadelphia and in eighteen other counties in Pennsylvania, and

Consumers Water Company, a holding company for several regulated public utility companies that provide water or wastewater services to approximately 700,000 residents in various communities in four states.

PSC's subsidiaries provide wastewater services including wastewater collection, treatment and disposal services to approximately 40,000 primarily residential customers in parts of Pennsylvania, Illinois, New Jersey and North Carolina.

PSC is among the largest investor-owned water utilities in the United States based on number of customers. In addition, PSC provides water and wastewater services to approximately 35,000 people through operating and maintenance contracts with municipal authorities and other parties.

Pennichuck Corporation

4 Water Street
Nashua, New Hampshire 03061
(603) 882-5191

Pennichuck was formed in 1983 following the reorganization of Pennichuck Water Works, which was first established in 1852, into a dedicated water utility. Pennichuck is a holding company with operating subsidiaries engaged primarily in the collection, storage, treatment, distribution and sale of potable water in southern and central New Hampshire.

Three of Pennichuck's subsidiaries Pennichuck Water Works, Inc., Pennichuck East Utility, Inc. and Pittsfield Aqueduct Company, Inc. are engaged in business as regulated public utilities subject to the jurisdiction of the New Hampshire Public Utilities Commission. They collectively serve approximately 26,400 residential and 2,000 commercial and industrial customers.

A fourth Pennichuck subsidiary, The Southwood Corporation, is involved in the development of commercial and residential real estate, while a fifth subsidiary, Pennichuck Water Service Corporation, is engaged in non-regulated, water-related management services and contract operations.

Raleigh Acquisition Corporation

Raleigh Acquisition Corporation is a corporation recently organized and wholly-owned by PSC for the purpose of completing the merger.

Merger Transaction (see page 25)

The merger agreement provides that PSC will acquire all of the outstanding shares of Pennichuck common stock through the merger of Raleigh Acquisition Corporation, a wholly-owned subsidiary of PSC, with and into Pennichuck. Following the consummation of the merger, Pennichuck will be a wholly-owned subsidiary of PSC.

The merger agreement is attached to this proxy statement prospectus as Appendix A. You are encouraged to read the merger agreement, as it is the legal document that governs the merger.

Ownership of PSC after the Merger

As a result of the merger, it is expected that Pennichuck shareholders will own approximately 4.7% of the outstanding shares of PSC common stock.

Material Federal Income Tax Consequences (see page 68)

Subject to certain qualifications, counsel to Pennichuck is of the opinion that the merger qualifies as a tax-free reorganization for federal income tax purposes.

As a tax-free reorganization, the material tax consequences to Pennichuck shareholders will be:

- Pennichuck shareholders will not have taxable gain or loss on the exchange of Pennichuck common stock for PSC common stock in the merger, except with respect to cash received for fractional shares or as a consequence of the exercise of dissenters' rights;

- the tax basis of PSC common stock received by Pennichuck shareholders in the merger will be the same as the tax basis of the Pennichuck common stock exchanged in the merger, reduced by the portion of the basis allocable to the fractional shares of PSC common stock received in the merger, and for which cash is received in lieu of such fractional interest of PSC; and the holding period of the PSC common stock that a Pennichuck shareholder receives in the merger generally will include the holding period of the Pennichuck common stock exchanged for the PSC common stock.

Dissenters' Rights (see page 52)

Pennichuck shareholders are entitled under New Hampshire law to dissenters' rights in connection with the merger. To exercise dissenters' rights, a Pennichuck shareholder must satisfy the following criteria:

the shareholder must provide written notice to Pennichuck stating his, her or its intention to dissent before the shareholders vote on the merger agreement at the special meeting;

the shareholder must vote against approval of the merger agreement or abstain from voting; and

the shareholder must comply with other procedures described in "The Merger Dissenters' Rights" on page 52.

Dissenters' rights will be forfeited if the requirements are not fully and precisely satisfied. A copy of the relevant sections of New Hampshire law are attached to this proxy statement prospectus as Appendix B.

Executive Officers and Directors of Pennichuck and PSC after the Merger

The directors and executive officers of Pennichuck following the merger will be determined by PSC. It is currently anticipated that a majority of the executive officers of Pennichuck following the merger will be chosen from Pennichuck's current management team.

As of the closing of the merger, PSC will increase the number of directors on its board of directors by one and will appoint Mr. Arel or another person mutually agreed upon by the Pennichuck board and PSC as director. The executive officers and other directors of PSC will not change as a result of the merger.

4

Pennichuck's Reasons for the Merger (see page 37)

In reaching its conclusions and recommendation that you vote for the approval of the merger agreement, the Pennichuck board considered a number of factors, including without limitation, the following material factors:

the familiarity of the Pennichuck board with the business, results of operations, properties, financial condition and resources, competitive position and prospects of Pennichuck, including the possible alternatives to the merger;

the increased pace of consolidation in the water company industry;

the relatively high valuation of water company stocks and the valuation of the PSC offer as compared to other offers submitted to Pennichuck and other comparable water company transactions;

the acquisition of Pennichuck in exchange for PSC common stock is intended as a tax-free reorganization for federal income tax purposes;

the intention expressed to the Pennichuck board by Pennichuck's President and Chief Executive Officer, Maurice L. Arel that he intended to retire;

the financial and other terms and conditions of the merger provided for in the merger agreement;

the favorable impressions the Pennichuck board had regarding PSC's management, business plan and operational track record;

the greater geographic diversity of PSC's customer base as compared to that of Pennichuck; and

the opinion of SG Barr Devlin dated April 28, 2002 to the Pennichuck board to the effect that, as of that date and based upon and subject to the matters described in such opinion, the exchange ratio specified in the merger agreement was fair, from a financial point of view, to the Pennichuck shareholders.

Recommendation to Shareholders

The Pennichuck board recommends, by a vote of five to four, that you vote **FOR** the approval of the merger agreement because it believes that the merger with PSC is in the best interest of Pennichuck shareholders. The Pennichuck directors who voted in favor of the merger agreement are Maurice Arel, Charles Clough, Robert Keller, John Kreick and Hannah McCarthy. Mr. Arel is Pennichuck's President and Chief Executive Officer.

The Pennichuck directors who voted against the merger agreement are Joseph Bellavance, Stephen Densberger, Martha O'Neill and Charles Staab. Mr. Densberger is Pennichuck's Executive Vice President, and Mr. Staab is its Treasurer and Chief Financial Officer and one of its Vice Presidents.

Opinion of SG Barr Devlin (see page 42)

In deciding to approve the transaction, the Pennichuck board, among the numerous factors discussed below in "The Merger Pennichuck's Reasons for the Merger; Recommendation of the Pennichuck Board," considered the oral opinion of SG Barr Devlin to the effect that, as of April 25, 2002, and based upon and subject to the considerations in the opinion, the merger consideration to be received by Pennichuck's shareholders pursuant to the merger agreement was fair from a financial point of view to the Pennichuck shareholders. That oral opinion was confirmed in writing by SG Barr Devlin as of April 28, 2002, and the written opinion is attached as Appendix C to this proxy statement prospectus. We encourage you to read the entire opinion.

Risk Factors (see page 16)

You are encouraged to consider the risk factors described elsewhere in this proxy statement prospectus in deciding whether to vote in favor of the proposal to approve the merger agreement.

Interests of Related Persons in the Merger (see page 49)

Each of Pennichuck's executive officers are parties to severance agreements and other arrangements that provide them with interests in the merger that are different from, or in addition to, the interests of Pennichuck shareholders as a whole. More specifically, these executive officers have severance and change of control agreements which will provide them with severance payments if their employment is terminated under certain circumstances following the merger.

In addition, the executive officers may be entitled to a retention bonus if they remain employed with Pennichuck on the date of closing. As Maurice L. Arel, Pennichuck's President and Chief Executive Officer, intends to retire on the earlier of closing of the merger or June 30, 2003, he does not expect to receive any severance or change of control payment, but may be entitled to a retention bonus upon the closing of the merger.

The Pennichuck board was aware of these interests and considered them, among other factors, in approving the merger agreement and the merger.

Accounting Treatment (see page 52)

PSC expects the merger to be treated as a purchase for accounting and financial reporting purposes, which means that PSC will allocate the purchase price among Pennichuck's consolidated assets and liabilities based on their estimated fair values. Any excess purchase price over the fair values will be allocated to goodwill in PSC's consolidated financial statements.

New Hampshire Public Utilities Commission Approval (see page 51)

Pennichuck's public utility subsidiaries are regulated by the New Hampshire Public Utilities Commission. The New Hampshire Public Utilities Commission has been asked to determine that the merger will not have an adverse effect on rates, terms, service, or operation of the utilities and is lawful, proper, and in the public interest.

The schedule approved by the Commission currently provides that the Commission will act on the application by February 28, 2003. The Commission's staff gave testimony in December 2002 that it believes that the merger met the requisite regulatory standards for approval. Various municipalities and other parties that have intervened in the Commission's proceedings regarding the merger have publicly indicated that they intend to request that the Commission extend the schedule for issuing its decision on the Pennichuck application.

Generally, the merger may not be completed unless and until there is a final, non-appealable order of the New Hampshire Public Utilities Commission approving the merger, meaning the order is no longer subject to modification or reversal as a result of reconsideration by the Commission or an appeal. Because an intervener may file a motion for a rehearing and a notice of appeal with New Hampshire Supreme Court, it is possible that an intervener could prevent the Commission's order from becoming a final order by March 31, 2003. Pennichuck or PSC may unilaterally terminate the merger agreement if the merger is not completed on or before March 31, 2003.

Hart-Scott-Rodino Premerger Notification (see page 52)

PSC and Pennichuck filed their respective Hart-Scott-Rodino Premerger Notification and Report Forms on June 26, 2002 under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Early termination of the Hart-Scott-Rodino waiting period was granted on July 8, 2002. However, if the merger is not completed by July 8, 2003, the parties will need to make another Premerger Notification filing with the Federal Trade Commission and the Department of Justice and again wait for the expiration of the waiting period or early termination of that period by the Federal Trade Commission before completing the merger.

Conditions to the Closing of the Merger (see page 64)

Each of PSC's and Pennichuck's obligations to close the merger are subject to several conditions, including, among others:

- Pennichuck's shareholders approving the merger agreement;
- the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act;
- the final, non-appealable approval of the New Hampshire Public Utilities Commission;
- all consents required by each party shall have been obtained and shall impose no condition that could reasonably be expected to have a material adverse affect on Pennichuck;
- the absence of restraining orders, injunctions or other orders restraining or prohibiting the merger;

- the absence of any law or order making the merger illegal;
- the absence of any judgment or order of a governmental authority, administrative agency or court limiting PSC's rights in the ownership of Pennichuck;
- the representations and warranties of the other party that are qualified by materiality shall be true and correct and the representations and warranties not qualified by materiality shall be true and correct in all material respects and each party shall have performed its obligations under the merger agreement in all material respects; and
- the shares of PSC common stock to be issued in connection with the merger shall have been authorized for listing on the New York Stock Exchange.

In addition, Pennichuck's obligation to close the merger is subject to:

- Pennichuck's receipt from its counsel of an opinion that the merger will be treated as a tax-free reorganization for federal income tax purposes; and
- PSC having elected Mr. Arel or another person mutually agreed upon by PSC and the Pennichuck board to the PSC board of directors.

Termination of Merger Agreement (see page 66)

Pennichuck and PSC may agree at any time prior to the time the articles of merger are filed with the Secretary of State of the State of New Hampshire to terminate the merger agreement, even if the Pennichuck shareholders have approved the merger agreement.

Also, PSC or Pennichuck may terminate the merger agreement if:

- a court or governmental authority issues a non-appealable final order, decree or ruling prohibiting the merger;
- the merger is not completed by March 31, 2003; or
- the other party materially breaches any representation, warranty, covenant or other agreement in the merger agreement and such breach cannot be cured or the breaching party is not using its reasonable best efforts to cure the breach.

PSC may terminate the merger agreement if:

- Pennichuck's board fails to recommend the merger or withdraws or adversely modifies its approval or recommendation of the merger; or
- Pennichuck's board recommends, approves or endorses an acquisition proposal from a third party.

Pennichuck may terminate the merger agreement if:

- Pennichuck's board, following receipt of an unsolicited acquisition proposal from a third party, determines in good faith that the merger is no longer in the best interests of Pennichuck's shareholders and that modification or withdrawal of its recommendation concerning the merger agreement is required to satisfy its fiduciary duties to Pennichuck's shareholders; and

Pennichuck provides PSC with the required notice under the merger agreement and otherwise complies with the terms of the merger agreement as it concerns third party acquisition proposals; and

Pennichuck has authorized, subject to compliance with the terms of the merger agreement, the execution of an agreement with a third party providing for a transaction that in the Pennichuck board's good faith judgment constitutes a superior proposal to the merger.

Termination Fee (see page 67)

Pennichuck must pay PSC a termination fee of $2,500,000 if:

the merger agreement is terminated by PSC because Pennichuck's board fails to recommend the merger, withdraws its approval or recommendation of the merger, or approves, endorses or recommends an acquisition proposal from another party, so long as (1) an acquisition proposal by a third party has been made prior to the board's action or omission and (2) Pennichuck enters into an agreement with that party or a tender offer is commenced within six months following termination; or

the merger agreement is terminated by Pennichuck following the authorization by Pennichuck of the execution of a definitive acquisition agreement with a third party which in the good faith opinion of Pennichuck's board constitutes a superior proposal.

All other fees and expenses incurred in conjunction with the merger will be paid by the party incurring the expenses, whether the merger is consummated or not.

Forward-Looking Statements in this Proxy Statement Prospectus

The statements contained in this proxy statement prospectus and in the documents delivered with and incorporated by reference into this proxy statement prospectus include certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of each of PSC and Pennichuck. Forward-looking statements are identifiable by the fact that they do not relate strictly to historical or current facts. They often include words such as "will permit", "will afford", "believes", "expects", "may", "should", "projected", "contemplates" or "anticipates". Forward-looking statements include information concerning the prospects for the consummation of the merger and the business of Pennichuck and PSC during the period prior to and following the effective time of the merger, set forth, among other places, under "Answers to Frequently Asked Questions About the Merger," "Summary," "The Merger Background of the Merger," "The Merger Pennichuck's Reasons for the Merger," and "The Merger Opinion of Pennichuck's Financial Advisor." The forward-looking statements relating to the merger may include, without limitation:

statements relating to cost savings and accretion to reported earnings that are expected to be realized from the merger;

the impact on revenues of the merger; and

the restructuring charges expected to be incurred in connection with the merger.

These forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements or which may affect the ability of the companies to consummate the merger include, among others:

seasonal fluctuations in the demand for water services;

the effect of drought conditions on customers' water usage or PSC's or Pennichuck's ability to serve current and future customers;

contamination of PSC's or Pennichuck's water supply;

changes in the market price of PSC common stock;

delay in the timing of the closing of the proposed merger;

the refusal of governing regulatory agencies to grant adequate rate increases to cover investments in utility plant and expenses;

changes in federal, state or local regulations imposing limitations and restrictions on the way PSC and Pennichuck do business;

the timely receipt of necessary shareholder and other consents and approvals to complete the merger, which could be delayed for a variety of reasons related or not related to the merger itself;

the fulfillment of all of the closing conditions specified in the merger agreement;

the receipt of an unsolicited acquisition proposal; and

the imposition by the New Hampshire Public Utility Commission of requirements or conditions on Pennichuck or its operating subsidiaries in connection with the Commission's approval of the merger.

In evaluating the merger, you should carefully consider the discussion of risks and uncertainties in the section titled "Risk Factors" beginning on page 16. You are cautioned not to place undue reliance on the forward-looking statements contained in this proxy statement prospectus, which reflect the views of PSC's or Pennichuck's management only as of the date of this proxy statement prospectus. Neither PSC nor Pennichuck undertakes any obligation to update these statements or publicly release the results of any revisions to the forward-looking statements that they may make to reflect events or circumstances after the date of this proxy statement prospectus.

HISTORICAL FINANCIAL DATA

Selected Consolidated Historical Financial Data of Pennichuck

The following table sets forth selected financial data of Pennichuck as of and for each of the last five fiscal years ended December 31, 2001 and for the nine-month periods ended September 30, 2002 and 2001. The financial data for each of the nine-month periods are derived from unaudited financial statements and, in the opinion of Pennichuck's management, include all adjustments necessary for the fair presentation of such data. This data should be read in conjunction with Pennichuck's financial statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are contained in reports filed with the SEC and incorporated by reference into this proxy statement prospectus. See Pennichuck's Annual Report on Form 10-K for the year ended December 31, 2001 and Quarterly Report on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002, which are incorporated by reference into this proxy statement prospectus. See also "Where You Can Find More Information" on page 82 for information on obtaining Pennichuck's other SEC filings.

	As of or for the Nine Months Ended September 30		As of or for the Year Ended December 31,				
	2002	**2001**	**2001**	**2000**	**1999**	**1998**	**1997(1)**
	(dollar amounts in thousands, except per share data)						
Consolidated Income Statement Data:							

	As of or for the Nine Months Ended September 30		As of or for the Year Ended December 31,				
Operating revenues	$ 18,455	$ 15,637	$ 22,754	$ 23,671	$ 17,809	$ 17,395	$ 12,056
Net income	1,298	2,389	3,612	3,683	2,616	2,106	1,207
Per Common Share Data (2):							
Diluted net income per common share	$ .54	$ 1.01	$ 1.50	$ 1.55	$ 1.12	$ 1.19	$ 0.75
Cash dividends declared per common share	.585	0.563	0.76	0.73	0.69	0.59	0.51
Book value per share of common stock	12.64	12.44	12.81	12.17	11.27	10.88	9.05
Basic net income per common share	.54	1.01	1.52	1.56	1.12	1.21	0.76
Balance Sheet Data:							
Total assets	$ 88,008	$ 85,072	$ 87,841	$ 82,880	$ 75,581	$ 70,838	$ 57,240
Capitalization:							
Long-Term debt, including Current Portion	$ 27,436	$ 27,553	$ 27,420	$ 27,237	$ 28,266	$ 28,185	$ 26,678
Stockholders' equity	30,239	29,626	30,595	28,596	26,257	24,811	14,589
Total capitalization	$ 57,675	$ 57,179	$ 58,015	$ 55,833	$ 54,523	$ 52,996	$ 41,267

(1) 1997 data as originally reported has been restated to reflect the acquisition of Pittsfield Aqueduct Company in January 1998 accounted for as a pooling of interests.

(2) All per share data reflects the 3 for 2 stock split in September 1998 and the 4 for 3 stock split in December 2001.

10

Selected Consolidated Historical Financial Data of PSC

The following table sets forth selected financial data of PSC as of and for each of the last five fiscal years ended December 31, 2001 and for the nine-month periods ended September 30, 2002 and 2001. The financial data for each of the nine-month periods are derived from unaudited financial statements and, in the opinion of PSC's management, include all adjustments necessary for the fair presentation of such data. This data should be read in conjunction with PSC's financial statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are contained in reports filed with the SEC and incorporated by reference into this proxy statement prospectus. See "Where You Can Find More Information" on page 82 for information on where you can obtain PSC's SEC filings.

	As of or for the Nine Months Ended September 30,		As of or for the Year Ended December 31,				
	2002	**2001**	**2001**	**2000**	**1999**	**1998(1)**	**1997(1)**
			(dollar amounts in thousands, except per share data)				
Consolidated Income Statement Data:							
Operating revenues	$ 240,202	$ 232,159	$ 307,280	$ 274,014	$ 256,546	$ 250,718	$ 235,162

	As of or for the Nine Months Ended September 30,		As of or for the Year Ended December 31,				
Income from continuing operations	48,547(5)	47,876(2)	60,111	52,890	36,384	45,015	35,210
Net income available to common stock	48,508(5)	47,796(2)	60,005	52,784	36,275	44,820	32,278
Per Common Share Data(3):							
Diluted income per common share:							
Income from continuing operations	$ 0.70(5)	$ 0.70(2)	$ 0.87	$ 0.81	$ 0.56	$ 0.70	$ 0.58
Net income	0.70(5)	0.70(2)	0.87	0.81	0.56	0.70	0.53
Cash dividends declared per common share	0.5375	0.504	0.504	0.47	0.45	0.32(4)	0.50
Book value per share of common stock	7.15	6.66	6.90	6.38	5.69	5.46	4.93
Basic income per common share:							
Income from continuing operations	0.71(5)	0.71(2)	0.88	0.82	0.57	0.71	0.58
Net income	0.71(5)	0.71(2)	0.88	0.82	0.57	0.71	0.54
Balance Sheet Data:							
Total assets	$ 1,657,094	$ 1,509,612	$ 1,560,339	$ 1,413,723	$ 1,280,805	$ 1,156,733	$ 1,083,162
Capitalization:							
Long-Term debt, including Current Portion	$ 589,515	517,527	$ 531,455	$ 472,712	$ 425,946	$ 377,355	$ 407,526
Preferred stock with mandatory redemption							4,214
Stockholders' equity	494,779	456,207	473,833	432,347	368,901	353,088	306,816
Total capitalization	$ 1,084,294	$ 973,734	$ 1,005,288	$ 905,059	$ 794,847	$ 730,443	$ 718,556

(1) 1998 and 1997 data as originally reported has been restated to reflect the acquisition of Consumers Water Company in March 1999 accounted for as a pooling of interests.

(2) Results include a gain on sale of land of $2,942 and a gain on sale of marketable securities of $155 (aggregate after tax impact of $1,858 or $0.03 per share).

(3) All per share data reflects the 5-for-4 stock splits in December 2001 and December 2000, and the 4-for-3 stock split in January 1998.

(4) The cash dividend of $0.10, paid in March 1998, was declared in December 1997.

(5) Results include a gain on sale of land of $900 and a gain on sale of marketable securities of $1,179 (aggregate after-tax impact of $1,248 or $0.02 per share).

Selected Historical and Pro Forma Comparative Per Share Data

The following table shows unaudited comparative per share data for PSC and Pennichuck, using the purchase method of accounting. The information should be read in conjunction with the consolidated historical financial statements and related notes of PSC and Pennichuck that are presented or otherwise incorporated by reference in this proxy statement prospectus. See "Where You Can Find More Information" on page 82 for details on documents incorporated by reference into this proxy statement prospectus.

The pro forma data is presented for comparative purposes only and is not necessarily indicative of the combined financial position or results of operations which would have been realized had the merger been completed during the periods or as of the dates for which the pro forma data is presented.

	Historical		Pro Forma	
	PSC	**Pennichuck**	**Combined Company**	**Pennichuck Equivalent(1)**
Per Common Share:				
Basic Net Income Per Share				
Nine Months Ended September 30, 2002	$ 0.71	$ 0.54	$ 0.69(2)	$ 0.99
Year Ended December 31, 2001	0.88	1.52	0.89(2)	1.28
Diluted Net Income Per Share				
Nine Months Ended September 30, 2002	0.70	0.54	0.68(2)	0.98
Year Ended December 31, 2001	0.87	1.50	0.88(2)	1.26
Cash Dividend Declared on Common Stock				
Nine Months Ended September 30, 2002	0.5375	.585	0.5375(3)	077
Year Ended December 31, 2001	0.504	0.76	0.504(3)	0.72
Book Value				
As of September 30, 2002	7.15	12.64	7.82(2)	11.22
As of December 31, 2001	6.90	12.81	7.59(2)	10.88

(1) The Pennichuck and PSC unaudited pro forma combined income and book value per common share are based on Pennichuck's shareholders receiving 1.435 shares of PSC common stock for each share of Pennichuck common stock held. That exchange ratio corresponds to a PSC per share price of [$20.70,] which was the PSC Average Closing Price as of [January 9,] 2003, the most recent practicable trading day prior to the filing of this proxy statement prospectus. The determination of the PSC Average Closing Price is described in detail on page 13 under "Market Price and Dividend Information Market Value of Merger Consideration. Pennichuck equivalent pro forma amounts are computed by multiplying the pro forma combined company amounts by the exchange ratio of 1.435.

(2) Combined company amounts are based on an exchange ratio of 1.435. The exchange ratio is subject to adjustment, in accordance with the merger agreement.

(3) Amounts represent PSC's historical dividends per common share.

MARKET PRICE AND DIVIDEND INFORMATION

PSC common stock trades on both the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol "PSC". Pennichuck common stock trades on the Nasdaq Stock Market under the symbol "PNNW".

Market Price Information Recent Quotes

The following table lists trading information for PSC common stock on the New York Stock Exchange and Pennichuck common stock on the Nasdaq Stock Market on April 26, 2002 and , 2003. April 26, 2002 was the last full trading day before the public announcement of the signing of the merger agreement. [January 9], 2003 was the last full trading day prior to the printing of this proxy statement prospectus.

	PSC			Pennichuck		
	High	**Low**	**Close**	**High**	**Low**	**Close**
April 26, 2002	$ 24.02	$ 23.63	$ 23.80	$ 27.00	$ 26.33	$ 27.00
[January 9], 2003	$ [20.78]	$ [20.26]	$ [20.35]	$ [28.30]	$ [27.50]	$ [28.24]

Market Price Information Historical Figures

The table below lists the high and low quarterly bid prices for the common stock of PSC and the common stock of Pennichuck as reported in published financial sources for the periods indicated.

	PSC(1)		Pennichuck(2)	
	High	**Low**	**High**	**Low**
Fiscal Year 2003				
First quarter (through January 9, 2003)	$ 20.95	$ 20.10	$ 28.94	$ 26.51
Fiscal Year 2002				
Fourth quarter	$ 21.87	$ 19.30	$ 29.84	$ 27.59
Third quarter	$ 20.30	$ 16.02	$ 28.98	$ 23.50
Second quarter	$ 25.00	$ 18.49	$ 32.39	$ 25.10
First quarter	$ 24.61	$ 21.10	$ 27.50	$ 24.33
Fiscal Year 2001				
Fourth quarter	$ 24.64	$ 20.80	$ 26.81	$ 19.19
Third quarter	$ 23.28	$ 18.66	$ 24.17	$ 20.85
Second quarter	$ 20.40	$ 16.60	$ 25.61	$ 19.02
First quarter	$ 19.39	$ 15.65	$ 21.76	$ 18.51
Fiscal Year 2000				
Fourth quarter	$ 19.95	$ 13.56	$ 21.38	$ 17.81
Third quarter	$ 15.56	$ 12.80	$ 21.00	$ 18.00
Second quarter	$ 15.96	$ 11.60	$ 22.69	$ 16.50
First quarter	$ 14.08	$ 10.56	$ 24.75	$ 15.66

Dividend Information

The table below lists the cash dividends paid per share of common stock of both PSC and Pennichuck for the periods indicated.

	PSC(1)	Pennichuck(2)
Fiscal Year 2002		
Fourth quarter	$ 0.140	$ 0.195

	PSC(1)	Pennichuck(2)
Third quarter	$ 0.1325	$ 0.195(3)
Second quarter	$ 0.1325	$ 0.195
First quarter	$ 0.1325	$ 0.195
Fiscal Year 2001		
Fourth quarter	$ 0.13248	$ 0.195
Third quarter	$ 0.124	$ 0.188
Second quarter	$ 0.124	$ 0.188
First quarter	$ 0.124	$ 0.188
Fiscal Year 2000		
Fourth quarter	$ 0.124	$ 0.188
Third quarter	$ 0.1152	$ 0.18
Second quarter	$ 0.1152	$ 0.18
First quarter	$ 0.1152	$ 0.18

(1) All per share data for PSC reflects a five-for-four stock split in December 2001 and December 2000.

(2) All per share data for Pennichuck reflects a four-for-three stock split in December 2001.

(3) In order to synchronize its dividend cycle with that of PSC, Pennichuck paid its third quarter dividend on September 3, 2002 instead of August 15, 2002. Since the period between dividends was extended from the normal 90 days to 105 days, the Board of Directors voted to increase the dividend by $0.033 per share to account for the additional 15 days. Therefore, the total dividend payment on September 3 was $0.228 per share.

As of [January 9, 2003,] the record number of PSC shareholders was approximately [21,500] and the record number of Pennichuck shareholders was approximately [714.]

Following the merger, PSC common stock will continue to be listed on both the New York Stock Exchange and the Philadelphia Stock Exchange, and there will be no further market for Pennichuck common stock.

Market Value of Merger Consideration

The number of shares of PSC common stock that Pennichuck shareholders will receive in the merger for each share of Pennichuck common stock will depend on the average closing price of PSC common stock for the 20 consecutive full trading days ending the third full trading day before the closing of the merger (the "PSC Average Closing Price"). References in this proxy statement prospectus to the PSC Average Closing Price as of a particular date mean the PSC Average Closing Price calculated as if the merger was completed on that date.

The following table provides the PSC Average Closing Price if the merger had been completed as of April 26, 2002 and as of [January 9], 2003 and the equivalent per share price of Pennichuck common stock giving effect to the merger on those dates. April 26, 2002 was the last business day preceding the

announcement of the merger, and [January 9], 2003 was the last practicable date prior to the mailing of this proxy statement prospectus.

Market value per share	Average Closing Sales Price	Pro Forma Equivalent Per Share

April 26, 2002	$	23.80	$	33.01
[January 9], 2003	$	[20.70]	$	[29.70]

The pro forma equivalent market values of Pennichuck common stock shown in the preceding table have been calculated assuming an exchange ratio of 1.387 as of April 26, 2002 and an exchange ratio of [1.435] as of [January 9], 2003. Those exchange ratios were determined using the PSC Average Closing Price of $23.80 as of April 26, 2002 and the PSC Average Closing Price of $[20.70] as of [January 9], 2003, which would have been the PSC Average Closing Price had the merger been completed as of those dates. The pro forma equivalent per share values have been calculated by multiplying the applicable exchange ratio by the closing price for PSC common stock on those dates.

The actual equivalent market value of Pennichuck common stock in the merger will likely be different. If the actual PSC Average Closing Price as of the completion of the merger is greater than the PSC Average Closing Price as of [January 9], 2003, the pro forma equivalent value of the Pennichuck common stock would be greater than the pro forma equivalent value shown in the preceding table. Conversely, if the actual PSC Average Closing Price as of the completion of the merger is less than the PSC Average Closing Price as of [January 9], 2003, the pro forma equivalent value of the Pennichuck common stock would be less than the pro forma equivalent value shown in the preceding table.

RISK FACTORS

In considering whether to vote in favor of the proposal relating to the merger, you should consider all of the information included in this document and its annexes and appendices and all of the information included in the documents we have incorporated by reference. In particular, you should consider the following risk factors.

Risks Relating to the Merger

Because the value of the consideration to be received in the merger is subject to changes based on fluctuations in the market price of PSC common stock, we cannot tell you today or on the date of the special meeting the value you will receive for each share of Pennichuck common stock converted into PSC common stock.

The value of the merger consideration Pennichuck shareholders will receive in the merger may be adversely affected by a decrease in the market price of PSC common stock. This is partly because the number of shares of PSC common stock to be issued to Pennichuck shareholders will be determined based upon the average daily closing sales prices of PSC common stock for the 20 consecutive full trading days, ending at the close of trading on the third full trading day before we complete the merger. Such average daily closing sales price is sometimes referred to in this proxy statement prospectus as the "PSC Average Closing Price." In addition, the average closing sales price of PSC common stock may vary from the market price on any given day, including the date of this proxy statement prospectus, the date of the Pennichuck special meeting and the effective time of the merger.

If the PSC Average Closing Price is between $23.00 and $25.00, Pennichuck shareholders will receive $33.00 in value for each share of Pennichuck common stock that they own. If the PSC Average Closing Price is less than $23.00, Pennichuck shareholders will receive less than $33.00 in value, and if the PSC Average Closing Price is greater than $25.00, Pennichuck shareholders will receive greater than $33.00 in value.

We encourage Pennichuck shareholders to obtain current market prices for PSC common stock, which is listed on the New York Stock Exchange under the symbol "PSC," as the market price may fluctuate due to various factors. However, because the value of the merger consideration to be received in the merger depends upon the closing prices of PSC stock over a period of time ending just prior to completion of the merger, Pennichuck shareholders will not know at the time they vote the value of the merger consideration that they will receive. In addition, the PSC Average Closing Price may vary from the market price on any given day, including the date of this proxy statement prospectus, the date of the Pennichuck special meeting and the effective time of the merger. For the twelve month period ending [January 9], 2003, the daily closing market price for PSC common stock has been between $[16.02] and $[25.00].

Pennichuck has incurred significant expenses in connection with the merger that Pennichuck must pay even if the merger is not completed.

Pennichuck has incurred various expenses in reviewing and evaluating strategic alternatives to the merger, in negotiating the merger agreement with PSC and in preparing this proxy statement prospectus and other regulatory filings related to the merger. These expenses include fees that have been paid or are payable to Pennichuck's financial advisor, legal counsel and accountants aggregating approximately $3,266,000. With the exception of $1,600,000 payable to Pennichuck's financial advisor that is contingent upon the completion of the merger, Pennichuck is obligated to pay these fees even if the merger is not completed.

Some of the conditions to closing may result in a delay or prevent completion of the merger, which may adversely affect the value of both companies' securities.

Completion of the merger is conditioned upon our receipt of certain governmental consents and approvals, including approval from the New Hampshire Public Utilities Commission. Failure to obtain these consents will prevent consummation of the merger. Even if the approvals are obtained, the effort involved may delay consummation of the merger. Governmental authorities may also impose conditions in connection with the merger that may adversely affect PSC's or Pennichuck's operations after the merger. Further, if the conditions imposed by the New Hampshire Public Utilities Commission in connection with its approval of the merger could reasonably be expected to have a material adverse effect on Pennichuck, PSC would not be required to complete the merger. Furthermore, any of these events could have a negative impact on the value of PSC or Pennichuck securities.

Pennichuck's obligation to pay a termination fee may deter competing proposals.

Pennichuck may terminate the merger agreement if it receives and accepts an acquisition proposal from a third party which is superior to the proposed merger, but Pennichuck must then pay PSC a termination fee of $2.5 million. The obligation to pay the termination fee may deter third parties from making competing bids for Pennichuck.

Risks Related to Pennichuck's Business

One or more municipalities may seek to acquire Pennichuck's operating assets through an eminent domain proceeding, whether or not the merger is completed.

On November 26, 2002, the Board of Aldermen of the City of Nashua adopted a formal resolution to hold a City-wide referendum on January 14, 2003 to approve an eminent domain proceeding or other acquisition of all or a portion of Pennichuck's water works system serving the residents of Nashua and others. Nashua residents provide approximately 88% of the revenue generated by Pennichuck Water Works, Inc. and approximately 68% of the revenue generated by Pennichuck's utility subsidiaries as a whole. Separately, several other communities whose residents are served by one or more of Pennichuck's subsidiaries have expressed preliminary interest in forming a regional water authority for the purposes of acquiring and operating a substantial portion of Pennichuck's operating assets. In the November 26 resolution, the Nashua Board of Aldermen also expressed support in principle for the formation of a regional water authority.

Any acquisition of Pennichuck assets by eminent domain would be highly uncertain and likely would involve protracted proceedings before the New Hampshire Public Utilities Commission, especially if Pennichuck objects to the acquisition. Given the highly integrated nature of Pennichuck's system and the significant interests of other communities in Pennichuck's service area, the Commission would have to address a number of unprecedented issues related to Pennichuck's assets and operations outside the City of Nashua. These issues could have an effect on any PUC determination regarding (1) the portion of the Pennichuck assets that could or should be taken by eminent domain, (2) whether a taking of Pennichuck's assets by eminent domain would be in the public interest, and (3) the amount of compensation that would have to be paid to Pennichuck if assets were acquired by eminent domain. Therefore, as of the special meeting, there could be no assurance that any municipality or regional water authority would, or would not, in fact acquire Pennichuck's assets and, if so, what the price to be paid for those assets would be.

Under existing law, Nashua, for example, would be able to acquire assets of Pennichuck Water Works through an eminent domain proceeding, whether or not Pennichuck completes the merger with PSC, only if, among other things,

- the proposed acquisition is approved by a majority of Nashua residents voting on the referendum (which vote is scheduled to be held on January 14, 2003);

- the New Hampshire Public Utilities Commission determines (1) that the acquisition of Pennichuck's assets by the City is in the public interest, (2) the amount that Nashua must pay Pennichuck to compensate it for the taking and (3) whether or not assets and operations outside the City must also be taken;

- the final terms of the acquisition are ratified by a vote of two-thirds of Nashua Board of Alderman; and
- the City is able to issue bonds or find some other source of financing to fund the purchase.

The potential for a regional water authority to acquire Pennichuck assets is likely subject to several additional significant conditions:

- legislation must be enacted in New Hampshire creating such an authority and giving it the power both to acquire Pennichuck's assets by eminent domain and to issue bonds to fund the acquisition of those assets;
- there must be an agreement among the municipalities participating in the regional water authority regarding the control of the authority; and
- a municipality's participation in the regional water authority must be approved first by its town council or other governing body and then, in some cases, by a vote of a majority of the town's voters.

As of the date of this proxy statement prospectus, aside from the November 26 resolution of the Nashua Board of Aldermen, the only definitive action taken by any town to participate in a regional water authority were votes of the Town Councils of Bedford and Londonderry, New Hampshire to enter into a joint agreement with other municipalities to establish a regional water district in anticipation of acquiring the assets or the stock of Pennichuck.

The initiation by either the City of Nashua and/or a regional water authority of an eminent domain proceeding for the taking of Pennichuck's assets prior to the closing of the merger could have a material adverse effect on Pennichuck and on Pennichuck's ability to complete the merger with PSC. The existence of an eminent domain proceeding might cause PSC to decline to proceed with the merger under the terms of the merger agreement, even though the obligations of Pennichuck and PSC to complete the merger are not expressly conditioned on the absence of such a proceeding. PSC has informed Pennichuck that if, for example, the residents of the City of Nashua approve the referendum on January 14, 2003, PSC may assert, depending on all the relevant facts and circumstances, that the City's eminent domain proceeding constitutes a material adverse change in Pennichuck's business and therefore that PSC has the right not to proceed with the merger under the terms of the merger agreement. (Nothing contained in this proxy statement prospectus shall constitute an admission by either Pennichuck or PSC that the merger agreement does or does not entitle PSC to make such an assertion.)

Even if PSC were to choose not to make, or if Pennichuck were to contest successfully, an assertion that one or more eminent domain initiatives constitute a material adverse change in Pennichuck's business, it is possible that PSC might seek not to proceed with merger if the merger is not completed on or before March 31, 2003. The merger agreement provides that either Pennichuck or PSC may unilaterally terminate the merger agreement if the merger is not completed on or before March 31, 2003 (provided that the company terminating the agreement has not breached the merger agreement or failed to fulfill its obligations under the merger agreement and such breach or failure caused or resulted in the merger not being completed). As discussed elsewhere in this proxy statement prospectus, Pennichuck and PSC expect that interveners in the New Hampshire Public Utility Commission proceeding will prevent us from receiving a final PUC order and closing the merger on or before March 31, 2003. See "The Merger Utilities Regulation" (page 51). PSC has informed Pennichuck that if such a scenario occurs, PSC may, depending on all the relevant facts and circumstances, exercise its right to terminate the merger agreement. (Nothing contained in this proxy statement prospectus shall constitute an admission by either Pennichuck or PSC that either party

would or would not have the right to terminate the merger agreement if the merger is not completed on or before March 31, 2003.)

If the City of Nashua or a regional water authority were successful in acquiring any of Pennichuck's water works system in an eminent domain proceeding, or under a threat of an eminent domain proceeding, there can be no assurance that the value ultimately received by Pennichuck shareholders as a result of such an acquisition would be equal to or greater than the value that would be received by Pennichuck shareholders in the proposed merger. In particular, as discussed elsewhere in this proxy statement prospectus, the Pennichuck board believes that if the merger is not completed and the City of Nashua (or a regional water authority) acquires the Pennichuck water works system, there would likely be significant adverse income tax consequences for Pennichuck and its shareholders (either directly or indirectly). The Pennichuck board also believes that those adverse tax consequences would significantly reduce the value that Pennichuck shareholders ultimately would receive for their stake in Pennichuck if the merger is not completed and the City of Nashua (or a regional water authority) acquires the Pennichuck water works system. See "The Merger Subsequent Developments" on page 39. The existence of a pending eminent domain proceeding also could adversely affect Pennichuck's future prospects and result in the loss of one or more key employees.

Pennichuck and PSC believe that if the City of Nashua or a regional water authority were to acquire all of or a substantial portion of Pennichuck's water works system after the completion of the merger, such an acquisition could have a negative effect on, but depending upon the facts and circumstances at the time, most likely would not have a material adverse effect on, PSC. Pennichuck and PSC expect that Pennichuck's assets will not constitute a material portion of PSC's total assets and that the revenue and income produced by those assets will not be material to PSC's total revenue or income. The existence of an eminent domain proceeding, however, might increase Pennichuck's expenses, delay or prevent the realization of operational synergies with PSC, adversely affect Pennichuck's future prospects or result in the loss of one or more key employees and, as a consequence, cause the profitability of Pennichuck's business to be less than PSC's expectations.

If the merger with PSC is not completed, the City of Nashua or a regional water authority might not proceed to acquire any of Pennichuck's water works system by eminent domain. We note that the announcement of the proposed merger appears to have prompted the initiation of the eminent domain proceedings by the City of Nashua and the current discussions regarding the formation of a regional water authority. Therefore, it is possible that if the merger were not completed, the City of Nashua and the other municipalities that would comprise a regional water authority may decide not to continue to pursue the acquisition of any of Pennichuck's water works system by eminent domain. In that event, Pennichuck would remain an independent company owned by its shareholders, though it is possible that the eminent domain proceedings that have occurred or will occur in connection with the proposed merger with PSC thereafter could adversely affect Pennichuck's future prospects and result in the loss of one or more key employees.

Risks Related to PSC's Business

PSC's business requires significant capital expenditures and the rates PSC charges its customers are subject to regulation. If PSC is unable to obtain government approval of its requests for rate increases, or if approved rate increases are untimely or inadequate to cover its investments, PSC's profitability may suffer.

The water utility business is capital intensive. On an annual basis, PSC spends significant sums for additions to or replacement of property, plant and equipment. PSC's ability to maintain and meet its financial objectives is dependent upon the rates PSC charges its customers. These rates are subject to approval by the public utility commissions of the states in which PSC operates. PSC files rate increase requests, from time to time, to recover its investments in utility plant and expenses. Once a rate increase petition is filed with a public utility commission, the ensuing administrative and hearing process may be lengthy and costly. The timing of PSC's rate increase requests are therefore partially dependent upon the estimated cost of the administrative process in relation to the investments and

expenses that PSC hopes to recover through the rate increase to the extent approved. PSC can provide no assurances that any future rate increase request will be approved by the appropriate state public utility commission; and, if approved, PSC cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which it initially sought the rate increase.

PSC's operating costs could be significantly increased in order to comply with new or stricter regulatory standards imposed by federal and state environmental agencies.

PSC's water and wastewater services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Safe Drinking Water Act, the Clean Water Act and similar state laws, and state and federal regulations issued under these laws by the United States Environmental Protection Agency and state environmental regulatory agencies. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the United States and states. Pursuant to these laws, PSC is required to obtain various environmental permits from environmental regulatory agencies for its operations. PSC cannot assure you that it has been or will be at all times in total compliance with these laws, regulations and permits. If PSC violates or fails to comply with these laws, regulations or permits, PSC could be fined or otherwise sanctioned by regulators. Environmental laws are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While PSC has budgeted for future capital and operating expenditures to maintain compliance with them and its permits, it is possible that new or stricter standards could be imposed that will raise PSC's operating costs. Although these costs may be recovered in the form of higher rates, there can be no assurance that the various state public utility commissions that govern PSC's business would approve rate increases to enable PSC to recover such costs. In summary, PSC cannot assure you that its costs of complying with, or discharging liability under, current and future environmental and health and safety laws will not adversely affect its business, results of operations or financial condition.

PSC's business is subject to seasonal fluctuations, which could affect demand for its water service and its revenues.

Demand for its water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with cooling systems, swimming pools, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. In the event that temperatures during the typically warmer months are cooler than expected, or if there is more rainfall than expected, the demand for PSC's water may decrease and adversely affect its revenues.

Drought conditions may impact PSC's ability to serve its current and future customers, and may impact PSC's customers' use of its water, which may adversely affect PSC's financial condition and results of operations.

PSC depends on an adequate water supply to meet the present and future demands of its customers. Drought conditions could interfere with PSC's sources of water supply and could adversely affect PSC's ability to supply water in sufficient quantities to its existing and future customers. An interruption in PSC's water supply could have a material adverse effect on its financial condition and results of operations. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for PSC's water, even if PSC's water reserves are sufficient to serve its customers during these drought conditions, which may adversely affect PSC's revenues and earnings.

An important element of PSC's growth strategy is the acquisition of water and wastewater systems. Any future acquisitions PSC decides to undertake may involve risks.

An important element of PSC's growth strategy is the acquisition and integration of water and wastewater systems in order to broaden its current, and move into new, service areas. PSC will not be

able to acquire other businesses if it cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, PSC may be required to integrate any businesses it acquires with its existing operations. The negotiation of potential acquisitions as well as the integration of acquired businesses could require PSC to incur significant costs and cause diversion of its management's time and resources. Future acquisitions by PSC could result in:

- dilutive issuances of PSC equity securities;
- incurrence of debt and contingent liabilities;
- fluctuations in quarterly results; and
- other acquisition-related expenses.

Some or all of these items could have a material adverse effect on PSC's business and PSC's ability to finance its business. The businesses PSC acquires in the future may not achieve sales and profitability that justify PSC's investment and any difficulties it encounters in the integration process could interfere with PSC's operations and reduce its operating margins. In addition, as consolidation becomes more prevalent in the water and wastewater industries, the prices for suitable acquisition candidates may increase to unacceptable levels and limit PSC's ability to grow through acquisitions.

Contamination to PSC's water supply may result in disruption in its services and litigation which could adversely affect PSC's business, operating results and financial condition.

PSC's water supplies are subject to contamination, including contamination from the development of naturally-occurring compounds and chemicals in groundwater systems, and pollution resulting from man-made sources. In the event that PSC's water supply is contaminated, PSC may have to interrupt the use of that water supply until it is able to substitute the flow of water from an uncontaminated water source. In addition, PSC may incur significant costs in order to treat the contaminated source through expansion of it's current treatment facilities, or development of new treatment methods. If PSC is unable to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner, there may be an adverse effect on it's revenues, operating results and financial condition. The costs PSC incurs to decontaminate a water source or an underground water system could be significant and could adversely affect its business, operating results and financial condition.

In addition to the potential pollution of PSC's water supply as described above, in the wake of the September 11, 2001 terrorist attacks and the ensuing threats to the nation's health and security, PSC has taken steps to increase security measures at its facilities and heighten employee awareness of threats to its water supply. PSC has also tightened its security measures regarding the delivery and handling of certain chemicals used in its business. PSC has and will continue to bear increased costs for security precautions to protect its facilities, operations and supplies. These costs may be significant. PSC is currently not aware of any specific threats to its facilities, operations or supplies; however, it is possible that PSC would not be in a position to control the outcome of terrorist events should they occur.

PSC could also be held liable for consequences arising out of human exposure to hazardous substances in its water supplies or other environmental damage. For example, private plaintiffs have the right to bring personal injury or other toxic tort claims arising from the presence of hazardous substances in PSC's drinking water supplies. PSC's insurance policies may not be sufficient to cover the costs of these claims.

PSC depends significantly on the services of the members of its senior management team, and the departure of any of those persons could cause its operating results to suffer.

PSC's success depends significantly on the continued individual and collective contributions of its senior management team. The loss of the services of any member of PSC's senior management or the inability to hire and retain experienced management personnel could harm its operating results.

PENNICHUCK SPECIAL MEETING

This proxy statement prospectus is being furnished to you in connection with the solicitation of proxies by the Pennichuck board of directors for use at the Pennichuck special meeting. At the Pennichuck special meeting, you will be asked to consider and vote upon a proposal to approve the merger agreement under which shares of PSC common stock will be exchanged for all of the outstanding shares of Pennichuck common stock, all as summarized in this proxy statement prospectus and as more fully described in the merger agreement.

Date, Time and Place

The special meeting of Pennichuck shareholders will be held on February , 2003 at the Nashua Marriott, 2200 Southwood Drive, New Hampshire at , local time.

Pennichuck may adjourn or postpone the special meeting to another date and/or place for proper purposes.

Record Date and Voting Rights

The Pennichuck board has fixed January 16, 2003 as the record date for the determination of shareholders entitled to notice of and to vote at the Pennichuck special meeting. Only the holders of Pennichuck common stock on the record date are entitled to vote at the special meeting. As of the record date, there were shares of Pennichuck common stock outstanding held by approximately holders of record. Each holder of record of shares of Pennichuck common stock on the record date is entitled to cast one vote per share, in person or by proxy, at the Pennichuck special meeting.

As of [January 9], 2003, Pennichuck directors and executive officers had the right to vote 180,654 shares of Pennichuck common stock, or approximately 7.3% of the shares of Pennichuck common stock outstanding on that date. See "Beneficial Shareholders of Pennichuck" on page 79.

Shareholder Vote Required

Under New Hampshire law, the approval of the merger agreement requires the affirmative vote of the majority of the outstanding shares of Pennichuck common stock. Abstentions will have the same effect as a vote against the proposal.

Votes that are broker non-votes will have the same effect as a vote against the proposal. Broker non-votes occur when brokers or nominees holding stock in "street name" indicate on proxies that they have not received specific instructions from the beneficial owners of such shares on how to vote the shares on a particular matter.

Quorum and Proxies

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Pennichuck common stock entitled to vote is necessary to constitute a quorum at the Pennichuck special meeting. Under New Hampshire law, not less than a quorum of shareholders as of the record date must be present, in person or by proxy, to conduct business at the special meeting. Shareholders at the meeting in person or voting by proxy or abstaining from voting by proxy on any issue will be counted as present for purposes of constituting a quorum. Abstentions will have the same effect as votes against the proposal.

All shares which are entitled to vote and are represented at the Pennichuck special meeting by properly executed proxies received before or at the Pennichuck special meeting, and not revoked, will be voted at the Pennichuck special meeting in accordance with the instructions indicated on the

proxies. **If no instructions are indicated, such proxies will be voted for approval of the merger agreement.**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked or superseded by any of the following actions:

- filing a written notice of revocation bearing a later date than the proxy with the Secretary of Pennichuck (John T. Pendleton) at or before the vote at the Pennichuck special meeting;

- duly executing a later dated proxy relating to the same shares and delivering it to the Secretary of Pennichuck (John T. Pendleton) before the vote at the Pennichuck special meeting;

- if your shares are held by a broker, following the directions received from your broker as to how to change your voting instructions; or

- if your shares are held by you directly and not through a broker or other nominee, attending the Pennichuck special meeting and voting in person.

Pennichuck shareholders should note, however, that merely attending the special meeting in person without providing notice of revocation or casting a subsequent vote will not alone constitute a revocation of a proxy.

The obligations of Pennichuck and PSC to consummate the merger are subject to, among other things, the condition that Pennichuck's shareholders approve the merger agreement at the special meeting. See "The Merger Agreement Conditions to Completion of the Merger" on page 64.

You should not forward any certificate representing shares of Pennichuck common stock with your proxy. If the merger is consummated, certificates should be delivered in accordance with instructions set forth in a letter of transmittal which will be sent to you promptly after the effective time of the merger.

Shareholders who require assistance in changing or revoking a proxy should contact MacKenzie Partners, Inc. at 156 5th Avenue, New York, NY 10010, (212) 929-5500.

Pennichuck will pay all expenses of this solicitation, including the cost of mailing this proxy statement prospectus to Pennichuck shareholders. Brokers, custodians and fiduciaries in whose name common stock is held will be requested to forward proxy soliciting material to the beneficial owners of such stock, and Pennichuck will reimburse them for this service. Directors, officers and employees of Pennichuck may also solicit proxies in person or by telephone, telegram, facsimile transmission or other means of communication. Pennichuck will not pay these individuals for their solicitation activity but will reimburse them for their reasonable out-of-pocket expenses. Pennichuck has also retained the services of MacKenzie Partners, Inc. as proxy solicitor to aid in the solicitation of proxies at an estimated cost of $18,000.

Recommendation of Pennichuck Board

The Pennichuck board, by a vote of five to four, has approved the merger agreement and recommends that you vote FOR the proposal to approve the merger agreement because it believes that the merger with PSC is in the best interest of the shareholders.

The Pennichuck directors who voted in favor of the merger agreement are Maurice Arel, Charles Clough, Robert Keller, John Kreick and Hannah McCarthy. Mr. Arel is Pennichuck's President and Chief Executive Officer. The Pennichuck directors who voted against the merger agreement are Joseph Bellavance, Stephen Densberger, Martha O'Neill and Charles Staab. Mr. Densberger is Pennichuck's Executive Vice President, and Mr. Staab is its Treasurer and Chief Financial Officer and one of its Vice Presidents. See "Merger Transaction Interests of Certain Persons in the Merger; Differing Interests"

on page 49 for a discussion of interests of Pennichuck's directors and executive officers in the merger that may be different from your own.

Dissenters' Rights

If the merger is completed, holders of Pennichuck common stock who previously elected to dissent from the approval of the merger agreement may be entitled to have their shares appraised and purchased in accordance with New Hampshire law.

In order for a Pennichuck shareholder to exercise dissenters' rights, a written notice of that shareholder's intention to exercise his or her or its dissenters' rights must be given by that shareholder and received by Pennichuck before the vote is taken at the special meeting to approve the merger agreement, and that shareholder must vote against the approval of the merger agreement or abstain from voting, and otherwise fully and completely comply with those procedures required by New Hampshire law, as more fully described in "The Merger Dissenters' Rights" on page 52. Failure to send written notice and to follow the other procedures required by New Hampshire law will constitute a waiver of the shareholder's dissenters' rights. See Appendix B to this proxy statement prospectus for a copy of the applicable sections of New Hampshire law relating to dissenters' rights and the procedures that must be followed to perfect dissenters' rights.

THE MERGER

We believe that this summary together with the sections of this proxy statement prospectus under the caption "The Merger Agreement" describe all material terms of the merger and the merger agreement. We recommend, however, that you read carefully the complete text of the merger agreement and other information that may be important to you. The merger agreement is attached to this proxy statement prospectus as Appendix A and is incorporated by reference into this proxy statement prospectus.

General

The merger agreement provides, on the terms and subject to the conditions set forth therein:

For the merger of Raleigh Acquisition Corporation with and into Pennichuck, with Pennichuck surviving the merger as a wholly-owned subsidiary of PSC.

That each share of Pennichuck common stock outstanding immediately prior to the effective time of the merger will be converted into the right to receive shares of PSC common stock, except that shares owned by PSC or any of its subsidiaries or by Pennichuck or any of its subsidiaries will be canceled, and shares held by shareholders, if any, who properly exercise their dissenters' rights under New Hampshire law will be entitled to the rights detailed under "The Merger Dissenters' Rights" on page 52.

The effective time of the merger will be at the time the articles of merger are filed with the Secretary of State of the State of New Hampshire (or at a later time as specified in the articles of merger), which is expected to occur after the last of the conditions precedent to the merger set forth in the merger agreement has been satisfied or waived. See "The Merger Agreement Conditions to Completion of the Merger" on page 64.

The number of shares of PSC common stock to be received by Pennichuck's shareholders shall be equal to the exchange ratio multiplied by the number of shares of Pennichuck common stock owned by the shareholders. The exchange ratio will be determined as follows:

if the PSC Average Closing Price is not less than $23.00 but not greater than $25.00, the exchange ratio will be equal to the quotient, rounded to the nearest thousandth, of $33.00 divided by the PSC Average Closing Price;

if the PSC Average Closing Price is less than $23.00, the exchange ratio will be 1.435; or

if the PSC Average Closing Price is greater than $25.00, the exchange ratio will be 1.320.

The following chart illustrates the relationship between the PSC Average Closing Price and the exchange ratio.

Value Given to Holders of Pennichuck Common Stock
at Various PSC Average Closing Prices

The PSC Average Closing Price would have been $[20.70] if the merger had been completed as of [January 9], 2003, the last practicable date prior to the mailing of this proxy statement prospectus, which would have resulted in an exchange ratio of [1.435]. From April 29, 2002, the date on which Pennichuck and PSC announced the merger agreement, to [January 9], 2003, the PSC Average Closing Price has ranged between $[18.02] and $[24.24]. We encourage Pennichuck shareholders to obtain current market prices for PSC common stock. See "Market Price and Dividend Information" on page 13.

Pennichuck shareholders should bear in mind, however, that at the time they vote on the merger they will not know the value of the merger consideration that they will receive in the merger. The final exchange ratio and therefore the number of shares of PSC common stock that a Pennichuck shareholder will receive in the merger in exchange for each Pennichuck share will depend upon the PSC Average Closing Price just prior to completion of the merger. In addition, the value of the merger consideration as of the effective date of the merger will be equal to that final exchange ratio multiplied by the market price for PSC common stock on that date, which may be different than the PSC Average Closing Price.

Background of the Merger

Establishment and Role of Strategic Planning Committee. The Pennichuck board's decision in April 2002 to approve the merger agreement marked the culmination of a process that the board

formally initiated in October 2001, when it voted unanimously to establish a Strategic Planning Committee, composed of Robert Keller, the Committee's Chairman, Charles Clough and Dr. John Kreick, each of whom is a non-employee director. The Committee's purpose was to coordinate a comprehensive evaluation of the principal strategic alternatives available to Pennichuck. The Pennichuck board's decision to establish the Committee to assess Pennichuck's long-term strategy was influenced primarily by

- the ongoing reduction in the amount of low cost land owned by Pennichuck that is suitable for real estate development,
- Pennichuck's relatively limited expansion of its non-regulated sources of income, including contracts to operate municipal water systems (also known as contract operations),
- the increased pace of consolidation in the water company industry, including their pending acquisition by Aquarion, the United States subsidiary of Kelda Group plc, of substantially all of the New England business of the American Water Works Company, including its operations in New Hampshire and Massachusetts, that was announced on August 30, 2001,
- the relatively high valuation of water company stocks at that time, and
- the intention of Pennichuck's President and Chief Executive Officer, Maurice Arel, to retire, as he had recently disclosed to the Pennichuck board.

The Committee members received presentations from SG Barr Devlin and four other firms in connection with its selection of a financial advisor that would be suitable to assist the Pennichuck board. In November 2001, the Company retained SG Barr Devlin as Pennichuck's financial advisor. A unit of the international banking organization Société Generale, SG Barr Devlin specializes in investment banking engagements for regulated utility companies.

Preliminary Review of Strategic Alternatives and Pennichuck's Valuation. On December 12, 2001 the Committee, Pennichuck's other non-employee directors and Mr. Arel met with SG Barr Devlin to discuss SG Barr Devlin's analysis of and recommendations regarding the three principal strategic choices available to Pennichuck, namely

- continuing to pursue management's business plan, as presented in a ten-year financial plan recently prepared by Pennichuck management, which plan did not contemplate a change in control of Pennichuck (the "Stand-alone Strategy"),
- seeking to complete significant acquisitions to diversify Pennichuck's geographic base and achieve greater financial and operating scale, and

soliciting proposals to be acquired by another water company.

SG Barr Devlin also reviewed with the Pennichuck directors SG Barr Devlin's methodology for its estimate of the range of valuations of Pennichuck that could reasonably be expected under the Stand-alone Strategy (which would not include a change of control premium) and an estimate of a range of values that could reasonably be expected in an acquisition by another water company, as summarized below and described in more detail elsewhere in this proxy statement prospectus. See "The Merger Opinion of Pennichuck's Financial Advisor" on page 42. SG Barr Devlin separately valued Pennichuck's water utility and contract operations segments, which are its core businesses, and its real estate development ventures. In explaining this bifurcated approach, SG Barr Devlin advised the Pennichuck directors that it was unlikely that a strategic acquirer would be willing to value Pennichuck's real estate development as highly as its ongoing water business and observed that Pennichuck derived a much higher percentage of its earnings from real estate development activities compared to other water companies.

Stand-alone Strategy. In its presentation to the directors, SG Barr Devlin noted that Pennichuck's net income growth during the past several years had benefited significantly from the net income produced by its real estate development ventures. During that time, however, Pennichuck developed much of its inventory of low cost land suitable for real estate development. SG Barr Devlin observed that, as a result of the reduction in the amount of its low cost real estate and based upon management's projections, Pennichuck should expect to experience during the next several years a decline in the rate of its earnings growth, primarily attributable to a significant reduction in the growth of income produced by its real estate development ventures.

SG Barr Devlin also observed that management's projections showed a significant increase in net income through 2005 from contract operations. The Committee members and SG Barr Devlin, however, questioned Pennichuck's ability to meet those projections based in part upon its relatively limited track record in winning and performing contract operations. SG Barr Devlin also noted that Pennichuck, like other water companies, would need to make relatively large capital expenditures during the next several years in order to comply with additional requirements under the Safe Drinking Water Act that would soon be applicable to Pennichuck. SG Barr Devlin also expressed its view that Pennichuck's ability to make such capital expenditures may be constrained by its limited debt capacity.

Strategy for Growth Through Acquisitions. SG Barr Devlin advised the Pennichuck directors that Pennichuck's ability to grow through acquisitions would be adversely affected by:

- the limited availability of target companies of appropriate size and price;
- the fact that most acquisition candidates are geographically remote from Pennichuck's New Hampshire base;
- the relatively illiquid trading market for Pennichuck common stock would make a stock-for-stock acquisition unattractive to potential targets; and
- the fact that the full use of Pennichuck's debt capacity to support its existing operations would restrict its ability to pursue any sizable cash transaction.

Strategy for a Combination with a Larger, Strategic Buyer. SG Barr Devlin concluded that the most advantageous strategic alternative for Pennichuck shareholders would likely be an acquisition of Pennichuck by a larger water company based in the United States or Europe. SG Barr Devlin reviewed with the Pennichuck directors the universe of potential acquirers and the range of values that the Pennichuck board could reasonably expect Pennichuck shareholders to receive in such an acquisition based upon the methodology summarized above and described in more detail under "The Merger Opinion of Pennichuck's Financial Advisor" on page 42.

SG Barr Devlin also discussed with the Pennichuck directors the implications of the recently announced acquisitions of several large United States-based water companies, including the pending acquisitions of Utilities, Inc. by Nuon, based in the Netherlands, and the American Water Works Company by RWE Aktiengesellschaft, headquartered in Germany. SG Barr Devlin stated that RWE's acquisition of American Water Works (the largest United States-based water company) could reasonably be expected to prompt other European water companies to accelerate plans for acquisitions in the United States. SG Barr Devlin also advised the Pennichuck directors that if the pace of consolidation in the water industry continued, Pennichuck's strategic value could be expected to diminish in the future both because the number of potential strategic acquirers would decline and because Pennichuck's operations would not be large enough to have a meaningful impact on many of the remaining acquirers.

The Committee members unanimously concurred with SG Barr Devlin's assessment of the strategic alternatives available to Pennichuck and recommended that the Pennichuck board authorize the

exploration of whether or not, and on what terms, one or more larger water companies would be interested in acquiring Pennichuck.

Pennichuck Board's Decision to Solicit Confidential Indications of Interest from Potential Acquirers. The Pennichuck board met on December 14, 2001 to consider the SG Barr Devlin analyses and the Committee's recommendation. The Pennichuck board considered a variety of factors, including the recent market price of Pennichuck common stock, the assumptions in the SG Barr Devlin presentation, and the manner in which SG Barr Devlin would obtain indications of interest from potential acquirers. The Pennichuck board also considered comments raised by some directors questioning SG Barr Devlin's assertion that Pennichuck's ability to make significant capital expenditures may be constrained by its limited debt capacity. The Committee members in particular noted that SG Barr Devlin's assessment of the challenges that Pennichuck would confront under the Stand-alone Strategy was consistent with the issues that the Committee members and other directors had previously discussed. The Committee members stressed the importance of the Pennichuck board obtaining actual indications of interest from likely acquirers in order for the board to make an informed judgment about the strategic direction Pennichuck should pursue. By a vote of five to four, with Joseph Bellavance, Charles Clough, Robert Keller, John Kreick and Hannah McCarthy in favor, and Maurice Arel, Stephen Densberger, Martha O'Neill and Charles Staab opposed, the Pennichuck board authorized SG Barr Devlin to determine through confidential discussions the range of values that the most likely potential acquirers would be willing to pay to acquire Pennichuck. Those directors voting against the resolution believed that devoting time and resources to exploring acquisition opportunities would detract from Pennichuck's pursuit of the Stand-alone Strategy, which they believed was in the best interest of Pennichuck's shareholders.

Solicitation of Preliminary Indications of Interest and Final Offers. In January 2002, the Committee directed SG Barr Devlin to solicit indications of interest confidentially from seven of the ten most likely acquirers that SG Barr Devlin had identified and discussed with the Committee and other board members. Five of those parties, including PSC, expressed an interest in considering the acquisition of Pennichuck, entered into confidentiality agreements with Pennichuck, and received a confidential offering memorandum which SG Barr Devlin had prepared with the assistance of Pennichuck management and which included Pennichuck's confidential ten-year financial projections. On February 22, 2002, PSC and three other potential acquirers submitted written, non-binding preliminary indications of their interest in acquiring Pennichuck.

Each preliminary indication described the structure of the proposed transaction and the preliminary range of values that the prospective acquirer might expect to pay to Pennichuck shareholders. Three of the potential acquirers proposed to acquire Pennichuck for cash. PSC proposed to acquire Pennichuck in exchange for PSC stock. Three of the preliminary indications, including the one that PSC submitted, valued Pennichuck within a range that was substantially consistent with the estimated acquisition valuation range that SG Barr Devlin described at its December 2001 presentation. The fourth preliminary indication, submitted by a United States subsidiary of a foreign company, indicated a value for Pennichuck that was substantially greater than any other proposal and the estimated acquisition valuation range, but was contingent, however, on approval by the bidder's foreign parent company.

On February 25, 2002, the Committee met with SG Barr Devlin and legal counsel to review the four preliminary indications. Also present at that meeting were Pennichuck's other directors. The Pennichuck directors compared the valuation range in each preliminary indication with both the valuation ranges in the other preliminary indications and SG Barr Devlin's estimated acquisition valuation range for Pennichuck. The Pennichuck directors also considered the relative advantages and disadvantages of an acquisition of Pennichuck for a fixed, all cash price compared to an acquisition of Pennichuck in exchange for the acquirer's stock that would qualify as a tax-free reorganization for federal income tax purposes. The Pennichuck directors also considered the potential for the valuation

of Pennichuck in a stock-for-stock acquisition to fluctuate prior to the closing based upon the changes in the market value of the acquirer's stock.

The Committee authorized each of the four bidders to continue with the process by attending formal presentations by Pennichuck management, conducting an in-depth, off-site due diligence review of Pennichuck's business and financial condition, and submitting final offers. In March 2002, PSC and two other bidders separately attended a management presentation, participated in a site tour of Pennichuck's facilities, and began their due diligence review. The bidder that had submitted the preliminary indication with the greatest valuation of Pennichuck informed SG Barr Devlin that, after consultation with its parent company, it had decided to withdraw its indication of interest and not continue with the process prior to engaging in any further review of Pennichuck.

Consideration of Formal Offers. Pennichuck received formal offers from three bidders on April 15, 2002. PSC proposed to acquire Pennichuck in exchange for PSC stock in a transaction in which each Pennichuck share would be converted into 1.381 shares of PSC stock. The other two bidders proposed to acquire Pennichuck solely for cash. The PSC proposal valued Pennichuck at approximately $33 per share based upon the market price of PSC stock on April 15, 2002. One of the all cash proposals valued Pennichuck at $29.70 per share. Pennichuck's valuation in the other all cash proposal was less than the bidder's preliminary indications of interest and was substantially less than both of the other offers. PSC's proposal stated that it was willing to permit Pennichuck to designate an individual to become a PSC director upon the completion of the acquisition. PSC also submitted an alternative offer to acquire all Pennichuck's assets other than its real estate development ventures in exchange for a lower fixed exchange ratio of 1.213 shares of PSC stock for each Pennichuck share. That ratio had a value of approximately $29 per share based on the market price of PSC stock on April 15, 2002.

At a Pennichuck board meeting on April 17, 2002, SG Barr Devlin and legal counsel made detailed presentations regarding the three acquisition proposals and related matters. SG Barr Devlin's presentation included a review of mechanisms commonly known as "collars" sometimes used in acquisitions in which the shareholders of the company to be acquired are to receive stock of the acquiring company, noting that a collar is intended to provide a greater degree of certainty as to the value of the acquiring company's stock that the shareholders of the acquired company will receive as of the closing of the acquisition. At the request of the Pennichuck board, SG Barr Devlin also expressed a view as to why the third offer was so much lower than the other two, noting, among other things, that the bidder was unwilling to value Pennichuck's real estate development ventures as highly as the other bidders. The Pennichuck directors also considered the alternate offer submitted by PSC, but it was the consensus of the Pennichuck directors that the complexity and uncertainty inherent in that alternative made it clearly less favorable to the Pennichuck shareholders than each of the other strategic choices available to the Pennichuck board.

Following SG Barr Devlin's presentation, legal counsel reviewed the material non-economic terms of the PSC offer and the leading cash offer, comparing each against the other and against the form of merger agreement that Pennichuck had provided to the bidders in connection with the bidding process. In particular, counsel summarized the circumstances under which the Pennichuck board would be permitted to consider a competing proposal to acquire Pennichuck and the events that would result in Pennichuck being obligated to pay a termination fee under the merger agreement. See "The Merger Agreement Termination of the Merger Agreement" on page 66.

Also on April 17, the non-employee Pennichuck directors and Mr. Arel discussed the advisability of implementing a set of retention bonus arrangements that would provide a financial incentive for Pennichuck's executive officers to remain Pennichuck employees at least until the closing of the acquisition. The Compensation Committee subsequently instructed SG Barr Devlin to propose to the bidders a retention bonus arrangement for Pennichuck's executive officers substantially consistent with

the final retention bonus parameters described in "The Merger Interests of Certain Persons in the Merger; Differing Interests" on page 49.

Improved Offers from Two Leading Bidders. At the conclusion of the April 17 board meeting, the Pennichuck board instructed SG Barr Devlin to

- encourage PSC and the leading cash bidder to increase the value that each was offering to pay for each share of Pennichuck common stock,
- encourage PSC to propose a collar that would lessen the exposure that Pennichuck shareholders would have to a decrease in the market price of PSC stock, and
- request that each bidder indicate whether it was willing to permit Pennichuck to commit to make a lump sum retention bonus substantially similar to the terms considered by the Compensation Committee.

The Pennichuck board also directed SG Barr Devlin and legal counsel to inform each bidder of the non-economic terms of its proposal that would materially detract from the Pennichuck board's further consideration of the bidder's offer.

PSC and the leading cash bidder communicated revised offers to SG Barr Devlin on April 19, 2002. The cash bidder increased its offer to $30.00. PSC's proposal a fixed exchange ratio of 1.381 shares of PSC stock for each Pennichuck share did not change. Each bidder also indicated that it would be amenable to Pennichuck committing to pay a retention bonus to each of its executive officers equal to up to 50 percent of their present annual salary and indicated its willingness to withdraw or modify in a manner acceptable to Pennichuck all or substantially all of the non-economic terms of their proposals to which Pennichuck had objected.

Evaluation of PSC's Business, Financial Condition and Stock Market Valuation. Following receipt of the revised proposals from PSC and the other bidder, the Committee instructed SG Barr Devlin and legal counsel to conduct a due diligence review of PSC's business and financial condition, so that the Pennichuck board could make an informed decision as to whether the PSC proposal was superior to the leading cash proposal or the Stand-alone Strategy. On April 23, 2002, SG Barr Devlin, Maurice Arel and Charles Staab, Pennichuck's Chief Financial Officer, met with several PSC executive officers, who provided a detailed presentation about PSC's business, including its internal financial projections. In the following days, PSC also provided additional information requested by Pennichuck's counsel.

Messrs. Keller and Clough from the Committee and Messrs. Arel, Bellavance, Densberger and Staab and Ms. O'Neill met later on April 23 with SG Barr Devlin and counsel to receive a presentation regarding the revised offers and a preliminary report on their due diligence review of PSC. SG Barr Devlin summarized the material terms of each revised bid, including the fact that, although PSC had chosen not to include a collar arrangement as part of its revised offer, PSC management had indicated that PSC might ultimately be willing to accept a relatively narrow collar.

Messrs. Arel and Staab and SG Barr Devlin summarized their understanding of PSC's business and financial condition and conveyed their favorable impressions of PSC's business plan. The Pennichuck directors then discussed at length the relatively high valuation of PSC stock compared to other publicly traded water companies, noting, among other things, PSC's track record of delivering consistently strong earnings growth, having achieved compounded annual earnings per share growth of 17.8 percent for the past ten years. SG Barr Devlin also explained that the recent trading range for PSC stock was generally consistent with other publicly traded water companies, taking into account the market's expectations regarding PSC's earnings and dividend growth. The Pennichuck board considered that PSC's current dividend rate was $0.53 per year, and therefore, assuming no change in such rate, the pro forma equivalent dividend rate for Pennichuck shareholders (equal to approximately $0.73) would be approximately 6.0 percent less than Pennichuck's current dividend rate of $0.78 per year.

31

The Pennichuck directors also discussed that Vivendi Environnement and its affiliates then owned 16.8 percent of the shares of PSC stock outstanding at that time and that Vivendi Environnement then was a 63 percent owned subsidiary of Vivendi Universal SA. The Pennichuck directors considered, among other things,

- SG Barr Devlin's understanding that Vivendi had a relatively low cost basis in PSC stock compared to PSC's market price at that time,
- the substantial decline of Vivendi Universal's stock price in recent months (approximately 39 percent since the beginning of 2002), and
- Vivendi Universal's March 5, 2002 announcement that it was writing off €15.2 billion of goodwill (under US generally accepted accounting principles).

In particular, the Pennichuck board discussed whether such circumstances might lead Vivendi to sell or seek to sell all or substantially all of its interest in PSC prior to the closing of the merger and the potential impact that such action might have on the market price of PSC stock.

The Pennichuck board also asked SG Barr Devlin to express its view on the likely effects on PSC of the announcement of a merger with Pennichuck. SG Barr Devlin advised the Pennichuck directors that PSC's announcement of an agreement to acquire Pennichuck would be unlikely to have a material adverse effect on the market price of PSC stock. SG Barr Devlin noted that it expected that the Pennichuck merger would increase PSC's earnings per share slightly and would probably be perceived by the investment community as being consistent with PSC's previously disclosed acquisition goals. SG Barr Devlin also observed that Pennichuck's New Hampshire operations would complement PSC's existing franchise in Maine and that Pennichuck's business would constitute a relatively small percentage of PSC's post-merger operations.

The Committee members present at that meeting and SG Barr Devlin advised the other Pennichuck directors that, in the opinion of the Committee and SG Barr Devlin, each of the PSC offer and the leading cash offer appeared to be more attractive to Pennichuck's shareholders from a financial point of view than the Stand-alone Strategy, and that the PSC offer appeared to be superior to the leading cash offer, even without a collar or a termination right based upon a decline in PSC's stock price (sometimes referred to as a "walkaway right"). Nevertheless, the consensus among the Pennichuck directors who participated in that meeting was that SG Barr Devlin should endeavor to negotiate a narrow collar or, alternatively, a walkaway right with PSC.

Consideration of Final PSC Offer. The entire Pennichuck board met on April 25, 2002 to consider the analyses of SG Barr Devlin and the Committee's recommendation. SG Barr Devlin reported that PSC had agreed to the collar arrangement described elsewhere in this proxy statement prospectus that would provide Pennichuck shareholders with $33.00 of value in PSC stock if the average market price of PSC stock prior to closing is not greater than $25.00 and not less that $23.00. See "The Merger General" on page 25 for a description of the collar.

At the request of the Pennichuck board, SG Barr Devlin presented detailed analyses of, and responded to questions regarding, the financial aspects of the proposed acquisition described in more detail in "The Merger Opinion of Pennichuck's Financial Advisor" on page 42. SG Barr Devlin reviewed the following factors, among others:

- the current market price of PSC stock and PSC's historical and projected financial performance, and the expectations of research analysts who follow PSC stock,
- the valuation of Pennichuck under the PSC offer compared to SG Barr Devlin's estimated acquisition valuation range for Pennichuck,
- the valuation offered by the leading cash bidder,
- the possibilities that other potential strategic acquirers might have greater interest in acquiring Pennichuck in the foreseeable future, and
- Pennichuck's relative prospects under the Stand-alone Strategy.

In discussing Pennichuck's valuation under the final PSC offer, SG Barr Devlin reviewed its various financial assumptions, including the estimated range of the acquisition values for Pennichuck that it had provided to the Pennichuck directors in December 2001