

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF JANUARY 20, 2016 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Wednesday, January 20, 2016 at 4:30 p.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

The following persons were in attendance for the meeting:

Committee Members:	James P. Dore, Chairman Paul A. Indeglia James McMahon (via telephone) Thomas J. Leonard
Pennichuck Corporation:	Larry D. Goodhue, Chief Executive Officer Donald L. Ware, Chief Operating Officer Suzanne L. Ansara, Corporate Secretary George Torres, Corporate Controller Carol Ann Howe, Assistant Treasurer

J. McMahon stated that he was unable to attend the meeting in person because he is travelling on business, that he is alone and is able to hear the proceedings.

Written materials relating to items listed in the Agenda were provided to the Committee members for their review prior to the meeting.

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the November 2, 2015 Committee meeting. There being none, on motion duly made by P. Indeglia and seconded by T. Leonard, all of the Committee members present then voting, it was unanimously

Resolved: that the minutes of the November 2, 2015 meeting of the Audit, Finance and Risk Committee are hereby approved.

SRF Loans – PW, PEU, PAC

L. Goodhue indicated that management is seeking the Committee’s recommendation that loans under the State of New Hampshire’s Drinking Water Revolving Loan Fund Program (“SRF”), for the following capital projects, be approved:

1. A \$1,400,000 SRF loan to Pennichuck Water Works, Inc. to fund the water main replacement project in the Nashua Core Water System (Amherst Street area in the City of Nashua);
2. A \$1,650,000 SRF loan to Pennichuck East Utility, Inc. to fund the replacement of water mains in the Varney Road area at Locke Lake in Barnstead, NH.
3. A \$440,000 SRF loan to Pittsfield Aqueduct Company, Inc. to fund the water main installation on Fairview Road/Catamount Road in Pittsfield, NH.

The current interest rate under the SRF Program is 2.464%. Pennichuck Corporation would guarantee the repayment of the loans. The projects will be included in the 2016 Capital Budget to be approved at the January Board meeting. A discussion ensued.

On motion duly made by P. Indeglia and seconded by T. Leonard, all of the Committee members present then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pennichuck Water Works, Inc. (the “Company”) and Pennichuck Corporation, the borrowing by the Company and the guarantee by Pennichuck Corporation of up to \$1,400,000 in principal amount from the State of New Hampshire (the “State”), such amount to be paid over a 30-year term, level payment, with interest and related costs, for the purpose of funding the water main replacement project in the Nashua Core Water System (Amherst Street area in the City of Nashua), pursuant to a Loan Agreement between the Company and the State under the State’s Drinking Water Revolving Loan Fund program.

On motion duly made by P. Indeglia and seconded by T. Leonard, all of the Committee members present then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pennichuck East Utility, Inc. (the “Company”) and Pennichuck Corporation, the borrowing by the Company and the guarantee by Pennichuck Corporation of up to \$1,650,000 in principal amount from the State of New Hampshire (the “State”), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the replacement of water mains in the Varney Road area (Phase I, II and III) at Locke Lake, Barnstead, NH, pursuant to a Loan Agreement between the Company and the State under the State’s Drinking Water Revolving Loan Fund program.

On motion duly made by P. Indeglia and seconded by T. Leonard, all of the Committee members present then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee of the Board of Directors hereby recommends to the Board of Directors of Pittsfield Aqueduct Company, Inc. (the “Company”) and Pennichuck Corporation, the borrowing by the Company and the guarantee by Pennichuck Corporation of up to \$440,000 in principal amount from the State of New Hampshire (the “State”), such amount to be paid over a 20-year term, level payment, with interest and related costs, for the purpose of funding the water main installation on Fairview Road/Catamount Road in Pittsfield, NH, pursuant to a Loan Agreement between the Company and the State under the State’s Drinking Water Revolving Loan Fund program.

Pennichuck East Utility, Inc. – CoBank Loan

L. Goodhue referred the Committee to the term sheet provided by CoBank, ACB, a copy of which was included in the written materials. L. Goodhue indicated that management is proposing that Pennichuck East Utility, Inc. (PEU) enter into a term loan with CoBank, ACB in an amount up to \$2,200,000. The term loan would be amortized over 25 years and would be utilized to refinance and repay intercompany debt to Pennichuck Corporation which was used to fund capital improvements to PEU’s water system infrastructure in 2015, and to provide financing for PEU’s 2016 capital expenditures and improvements. The interest rate, currently estimated at approximately 4.75%, will be determined based on market conditions. Pennichuck Corporation would be the guarantor under the loan. Approval of the loan will also be required from the City of Nashua and the New Hampshire Public Utilities Commission. A discussion ensued.

On motion duly made by P. Indeglia and seconded by T. Leonard, all of the Committee members present then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee hereby recommends to the Board of Directors of Pennichuck Corporation and Pennichuck East Utility, Inc., that Pennichuck East Utility, Inc. enter into a term loan with CoBank, ACB in an amount up to \$2,200,000 with a 25-year amortization schedule.

Pennichuck Water Works, Inc. – Corporate Note Payable

There was a discussion relative to the corporate note payable between Pennichuck Water Works, Inc. (PWW) and American United Life Insurance. L. Goodhue indicated that management is seeking authorization to investigate whether it would be beneficial to refinance the note, which is the only existing PWW debt with balloon payments. The note currently has \$4.4 million outstanding. A discussion ensued.

On motion duly made by P. Indeglia and seconded by T. Leonard, all of the Committee members then voting, it was unanimously

Resolved: that the Audit, Finance and Risk Committee hereby recommends to the Board of Directors of Pennichuck Corporation and Pennichuck Water Works, Inc., that management be authorized to investigate the potential refinancing of Pennichuck Water Work's corporate note payable with American United Life Insurance (AULI).

There was a discussion relative to the Company's insurance coverage for cyber security and flood damage to the dams.

The Committee requested that management have an independent consultant conduct an evaluation and assessment of the Company's insurance portfolio to identify any risks in the Company's insurance coverages.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 5:50 p.m.

/s/ Suzanne L. Ansara
Suzanne L. Ansara
Corporate Secretary