

PENNICHUCK CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE
MINUTES OF FEBRUARY 22, 2018 MEETING

A meeting of the Audit, Finance and Risk Committee (“Committee”) of the Board of Directors of Pennichuck Corporation (“Company”) was held on Thursday, February 22, 2018 at 4:56 p.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

The following persons were in attendance for all or a portion of the meeting:

Committee Members:	James P. Dore, Chairman Thomas J. Leonard John D. McGrath (telephonically) John M. Murphy
Pennichuck Corporation:	Larry D. Goodhue, Chief Executive Officer Suzanne L. Ansara, Corporate Secretary George Torres, Corporate Controller Carol Ann Howe, Assistant Treasurer

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

J. McGrath stated the reason why he was unable to attend the meeting in person, that he was alone and could hear the proceedings.

S. Ansara recorded the minutes of the meeting.

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the November 16, 2017 meeting. There being none, on motion duly made by T. Leonard and seconded by J. Murphy, all of the Committee members then voting, it was unanimously

Resolved: that the minutes of the November 16, 2017 meeting of the Audit, Finance and Risk Committee are hereby approved.

Emergency Plans – Completed Tasks

S. Ansara reviewed the system in place to track whether certain tasks required under the Standard Operating Procedures to the Company’s emergency plans are completed on a timely basis by the responsible employees. The Committee was provided with a chart showing the tasks completed in 2017.

Insurance Coverage Review

C. Howe gave a presentation on the Company's Property and Casualty insurance coverages and premiums for 2018. She indicated that premiums decreased 9.3% over 2017. A discussion ensued. The Committee had a number of questions relating to covered drivers under the commercial automobile policy. C. Howe will contact the Company's insurance agent to obtain answers to the Committee's questions.

J. McGrath left the meeting at 5:30 p.m. during the insurance presentation.

Intercompany Loan – Pittsfield Aqueduct / Pennichuck Corporation

L. Goodhue indicated that management is recommending that the outstanding balance of the 2010 intercompany loan from Pennichuck Corporation to Pittsfield Aqueduct Company be refinanced for a term of 30 years at an approximate interest rate of 3.2%. The intercompany loan is due to mature on May 1, 2018. L. Goodhue also indicated that management is recommending that \$599,150 of short term obligations from Pittsfield Aqueduct to Pennichuck Corporation be converted to long term notes payable. The two obligations would be aggregated together into one long term note payable at an interest rate of 3.2% over 30 years. A discussion ensued.

On motion duly made by T. Leonard and seconded by J. Murphy, 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 (PCP) and Pittsfield Aqueduct Company, Inc. (PAC), that the outstanding balance (\$776,850.00) of the intercompany loan between the companies dated January 1, 2010 be refinanced for a term of 30 years at an interest rate of approximately 3.2% on a fully amortizing basis, along with an additional sum of \$599,150, converting short term obligations from PAC to PCP to long term notes payable, on the same terms; in the aggregate, the new obligation will be for \$1,376,000 over 30 years at 3.2%, fully amortizing.

Bond Financing – Pennichuck Water Works, Inc.

L. Goodhue reported that all documents for the bond financing have been drafted and are being reviewed by the Company's attorneys. He referred the Committee to copies of the draft documents included in the written materials: Loan and Trust Agreement, Bond Purchase Agreement, Continuing Disclosure, and Preliminary Official Statement. The aggregate principal amount of the bonds to be issued is \$32.5 million, \$30 million to finance Pennichuck Water Works' capital projects for the years 2017-2020, and \$2.5 million to finance the costs of issuance. L. Goodhue indicated that although management is asking for approval of the entire \$32.5 million at this time, it is management's intention to issue bonds this year for 2017 capital projects only. Bonds for the 2018-2020 capital projects would be issued over the next 2-3 years. A discussion ensued.

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

Resolved: that the financing plan for the financing of the capital expenditure needs of Pennichuck Water Works, Inc. (“PWW”) for the years 2017-2020, as described to the Audit, Finance and Risk Committee, and to consist of the entering into of the following credit facilities:

Taxable or Tax-exempt Bonds in one or more series in the aggregate amount of:	\$ 30,000,000
Taxable or Tax-exempt Bonds in one or more series OR Bank Credit Facility to fund Bond Issuance Costs – up to:	<u>\$ 2,500,000</u>
Total 2017-2020 Financing Plan:	\$ 32,500,000

(the “2017-2020 Financing Plan”), be and it is hereby favorably recommended for consideration and approval by the Board of Directors of Pennichuck Corporation and PWW.

Further

Resolved: that the officers of Pennichuck Corporation and PWW are severally authorized, empowered and directed to take such actions necessary to present the 2017-2020 Financing Plan to the Board of Directors of Pennichuck Corporation and PWW, and to report the favorable recommendation of this Committee to each such Board.

Other Business

The Committee noted John McGrath’s responses to the Annual Disclosure Report, a copy of which was included in the written materials.

L. Goodhue reported on the recent settlement with the Town of Litchfield on the property tax litigation.

There being no further business to come before the Committee, the Chairman adjourned the meeting at 6:02 p.m.

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