

PENNICHUCK CORPORATION
BOARD OF DIRECTORS
MINUTES OF FEBRUARY 23, 2018 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 23, 2018 at 8:00 a.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire.

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

The following Directors were present for the meeting, constituting a quorum:

Thomas J. Leonard, Chairman
David P. Bernier
C. George Bower
James P. Dore
Elizabeth A. Dunn
Stephen D. Genest
John D. McGrath
John M. Murphy
Preston J. Stanley, Jr.

Also attending all or a portion of the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer
Donald L. Ware, Chief Operating Officer
Mary V. DeRoche, HR Director
Suzanne L. Ansara, Corporate Secretary
Carol Ann Howe, Assistant Treasurer
George Torres, Corporate Controller
Steven Greenwood, IT Director
Bernard Rousseau, Vice President, PWSC
Chris Countie, Water Supply Manager
John Boisvert, Chief Engineer

S. Ansara recorded the minutes of the meeting.

The Chairman called the meeting to order.

Approval of Minutes

The Chairman inquired whether there were any comments with respect to the draft minutes of the January 26, 2018 Board meeting. There being none, on motion duly made by J. McGrath and seconded by J. Dore, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the January 26, 2018 meeting of the Board of Directors are hereby approved.

Preliminary Unaudited Financial Results

G. Torres presented a review of the Company's unaudited consolidated financial results for the 12-months ended December 31, 2017 and a review of revenues/water usage through the month of December 2017. The Company's revenues of \$40.9 million were 4.2% below the prior year revenues and 0.8% below budget on a year-to-date basis. Operating expenses of \$35.4 million were 0.5% above budget and 4.4% above the prior year expenses. Operating income was \$5.5 million compared to prior year operating income of \$8.8 million and budgeted operating income of \$6.0 million. Interest expense of \$10.8 million was 2.0% less than budget and even with the prior year expense. Pre-tax loss was \$5.3 million compared to a budgeted pre-tax loss of \$5.1 million and prior year pre-tax loss of \$1.1 million. Year-to-date net loss was \$6.6 million compared to a budgeted net loss of \$3.8 million and prior year net loss of \$1.2 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$13.3 million compared to \$13.6 million in the 2017 budget and the prior year amount of \$16.3 million. Capital expenditures of \$8.0 million were below the budgeted amount of \$16.3 million. Pumpage for the month of December (285 million gallons) was ahead of budget (265 million gallons). G. Torres commented on the Company's balance sheet, cash flow statement, and debt covenant schedule, and on the income statements for each subsidiary, and reviewed the variances from budget and prior year results for each subsidiary. A discussion ensued.

There was a discussion relative to the 2018 Tax Act and the financial covenants with TD Bank and CoBank.

2018 Operating Budget

G. Torres presented a revised 2018 Operating Budget, a copy of which was included in the written materials, and reviewed the changes from the operating budget presented at the December meeting. A discussion ensued.

On motion duly made by J. McGrath and seconded by S. Genest, all of the Directors present then voting, it was unanimously

Resolved: that the revised 2018 Operating Budget, as presented at this meeting, is hereby approved.

Report of the Communications Committee

T. Leonard gave a report on the February 12, 2018 meeting of the Communications Committee. He reported that the Committee discussed the recent meeting with the Special Water Committee of the Board of Aldermen, discussed the general relationship with the City as the Sole Shareholder, and discussed the Company's "meet and greet" event to be held for members of the Board of Aldermen, the Mayor and other City officials.

Report of the Compensation and Benefits Committee

S. Genest, Chairman of the Compensation and Benefits Committee, gave a report on the Committee's February 12, 2018 meeting. He reported that the Committee approved an amendment to the 401(k) plan services agreement to require separate investment directions from participants in the plan for rollover contributions, reviewed an HR Dashboard prepared by Mary DeRoche which will be used to track data relating to headcount, overtime, number of hires and terminations, and other information, on a yearly basis, and discussed long-term succession planning. The Committee also revised its charter to streamline the CEO succession plan process, and S. Genest reported that the Committee is recommending that the Board approve the revised charter. S. Genest indicated that TD Bank, N.A., who is the current trustee and investment advisor for the Company's VEBA plans is no longer offering such services as part of their business. He reported that the Committee voted to recommend to the Pennichuck Water Works Board of Directors that Wilmington Trust, N.A. be appointed as the new trustee and Summit Financial Strategies, Inc. be appointed investment advisor for the VEBA plans.

Compensation and Benefits Committee Charter - Amendments

After discussion, on motion duly made by G. Bower and seconded by D. Bernier, all of the Directors present then voting, it was unanimously

Resolved: that the amendments to the Compensation and Benefits Committee Charter, as presented at this meeting, are hereby approved.

2018 Annual Meeting of Sole Shareholder

The next order of business was to approve the date and place of the 2018 Annual Meeting of Sole Shareholder. On motion duly made by J. Dore and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

Resolved: that the 2018 Annual Meeting of Sole Shareholder be held on Saturday, May 5, 2018 at 9:00 a.m. at the Crowne Plaza, 2 Somerset Parkway, Nashua, New Hampshire.

Director Nominees

The Chairman inquired whether there were any comments regarding the nominees recommended by the Nominating and Governance Committee for election to the Board at the 2018 Annual Meeting of Sole Shareholder. There being none, on motion duly made by J. McGrath and seconded by J. Murphy, all of the Directors present then voting in favor, except for D. Bernier, S. Genest and T. Leonard who abstained, it was

Resolved: that David P. Bernier, Stephen D. Genest and Thomas J. Leonard are hereby nominated for election as Directors at the 2018 Annual Meeting of Sole Shareholder, each for a three-year term.

Report of the Audit, Finance and Risk Committee

J. Dore, Chairman of the Audit, Finance and Risk Committee, gave a report on the Committee's February 22, 2018 meeting. He reported that the Committee reviewed the procedures to monitor the completion of tasks required under the Company's emergency plans; viewed a presentation on the Company's 2018 commercial insurance coverages and premiums; discussed the refinance of an intercompany loan between Pittsfield Aqueduct and Pennichuck Corporation and the conversion of short term obligations to long term notes payable; and reviewed the financing plan for Pennichuck Water Works' 2017-2020 capital projects.

J. Dore indicated that the Committee is recommending that the Board approve (1) the refinance of the intercompany loan between Pittsfield Aqueduct and Pennichuck Corporation and the conversion of short term obligations to long term notes payable; and (2) approve the 2017-2020 financing plan.

Pennichuck Water Works, Inc. – 2017 -2020 Financing Plan

L. Goodhue reviewed the financing plan for Pennichuck Water Works' capital projects for the years 2017-2020. He indicated that the draft documents to complete the bond financing were included in the written materials to the Board. Approvals have been received from the Public Utilities Commission and the City of Nashua. He indicated that the bond closing is scheduled for April 4. L. Goodhue indicated that although management is asking for approval of the financing plan for the years 2017-2020, it is management's intention to issue bonds this year for the 2017 capital projects only. Bonds for the 2018-2020 capital projects will be issued over the next 2-3 years.

After discussion, on motion duly made by J. McGrath and seconded by P. Stanley, all of the Directors 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 recommended by the Audit, Finance and Risk Committee and as described to this Board, such plan 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 approved.

Further

Resolved: that the officers of Pennichuck Corporation (the “Company”) and PWW are hereby authorized, empowered and directed to take any and all actions to develop and effect the borrowings contemplated by the 2017-2020 Financing Plan, including taking any and all actions to obtain all necessary approvals and consents for the borrowings contemplated by such Plan from the City of Nashua in its capacity as the sole shareholder of the Company, the New Hampshire Public Utilities Commission, and any other person from which approval or consent may be required related to such borrowings as determined by such officers.

Further

Resolved: that the officers of the Company and PWW are directed to finalize the terms of the 2017-2020 Financing Plan, including preparation of loan and trust agreements, credit facility agreements, bond purchase agreements, official statements, petitions and such other documents that are necessary to effect the 2017-2020 Financing Plan, and to present such documents to the Audit, Finance and Risk Committee and then to this Board for further approvals as may be required by such final documents.

Further

Resolved: that any actions taken by the officers of the Company prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed, approved and adopted as actions of the Company.

Pittsfield Aqueduct Company, Inc. - Intercompany Loan / Short Term Obligations

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. He also indicated that management is recommending that \$599,150 of short term obligations from Pittsfield Aqueduct Company 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 E. Dunn and seconded by J. Murphy, all of the Directors present then voting, it was unanimously

Resolved: that the Board of Directors of Pennichuck Corporation (the “Company”) hereby authorizes the Company to refinance the outstanding balance of \$776,850.00 of the January 1, 2010 intercompany loan between the Company and Pittsfield Aqueduct Company, Inc. (PAC), 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 the Company 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.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to discuss confidential or financial information pursuant to RSA 91-A:3, II(j). P. Stanley seconded the motion.

A roll call of the Directors present was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, J. Dore, E. Dunn, S. Genest, T. Leonard, J. McGrath,
J. Murphy, P. Stanley
Nay:

Motion was carried to enter into non-public session at 10:09 a.m.

Reconvene in Public Session

The non-public session ended at 11:16 a.m. and the Board reconvened in public session. Present were the Directors, L. Goodhue, D. Ware and S. Ansara.

S. Genest moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(j). D. Bernier seconded the motion. A roll call of the Directors present was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, J. Dore, E. Dunn, S. Genest, T. Leonard, J. McGrath,
J. Murphy, P. Stanley
Nay:

Motion was carried to seal the minutes of the non-public session.

The meeting was temporarily adjourned at 11:17 a.m. to hold meetings of the Board of Directors of the Company's subsidiaries.

The meeting reconvened at 11:36 a.m. Present were the Directors, L. Goodhue, D. Ware and S. Ansara.

Other Business

L. Goodhue updated the Board on a number of issues, including the positive settlement of the Litchfield property tax litigation and the status of the Pennichuck East Utility rate case. He reported that the Meet and Greet Event with City officials has been scheduled to be held on Saturday, March 10 at 9:30 a.m.

L. Goodhue and D. Ware left the meeting at 11:54 a.m.

Board Discussion – Annual Evaluation of Board and Board Committees

The Board discussed the Results of the Annual Evaluation of the Board and Board Committees, a copy of which was included in the written materials.

Board Committee Assignments

The Chairman indicated that the Audit, Finance and Risk Committee has only 4 members since Paul Indeglia's resignation. For purposes of a quorum, it was agreed that the Committee should have 5 members. After discussion, on a motion duly made by J. Murphy and seconded by J. Dore, all of the Directors present then voting, it was unanimously

Resolved: that George Bower is hereby appointed a member of the Audit, Finance and Risk Committee.

Resolved: that George Bower's resignation as a member of the Communications Committee is hereby accepted.

Resolved: that James P. Dore is hereby appointed a member of the Communications Committee.

There being no further business to come before the Board, the meeting was adjourned at 12:20 p.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara
Corporate Secretary