

PENNICHUCK CORPORATION  
BOARD OF DIRECTORS  
MINUTES OF FEBRUARY 22, 2019 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 22, 2019 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, constituting a quorum:

John D. McGrath, Acting Chairman  
David P. Bernier (telephonically)  
C. George Bower  
James P. Dore  
Elizabeth A. Dunn  
Stephen D. Genest  
Jay N. Lustig  
John M. Murphy  
Preston J. Stanley, Jr.

Also attending the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer  
Donald L. Ware, Chief Operating Officer  
Suzanne L. Ansara, Corporate Secretary  
Mary V. DeRoche, Human Resources Director  
Steven Greenwood, IT Director  
Carol Ann Howe, Assistant Treasurer  
Bernard Rousseau, VP, Sales and Service  
John Boisvert, Chief Engineer

D. Bernier stated the reason 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

E. Dunn had a comment on the draft minutes of the January 25, 2019 Board meeting. After discussion, on motion duly made by S. Genest and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the January 25, 2019 meeting of the Board of Directors, as amended at this meeting, are hereby approved.

## Review of Preliminary Unaudited Financial Results through December 2018

G. Torres presented a review of the Company's unaudited consolidated financial results through December 2018 and a review of revenues/water usage. The Company's revenues of \$45.3 million were 10.7% above the prior year revenues and 1.7% below budget on a year-to-date basis. Operating expenses of \$38.1 million were 2.9% above budget and 7.6% above the prior year expenses. Operating income was \$7.2 million compared to prior year operating income of \$5.5 million and budgeted operating income of \$9.0 million. Interest expense of \$10.9 million was 3% less than budget and 0.7% greater than the prior year expense. Pre-tax loss was \$3.6 million compared to a budgeted pre-tax loss of \$2.3 million and prior year pre-tax loss of \$5.3 million. Year-to-date net loss was \$5.3 million compared to a budgeted net loss of \$2.2 million and prior year net loss of \$6.6 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$15.4 million compared to \$17.0 million in the 2018 budget and the prior year amount of \$13.3 million. Capital expenditures of \$13.6 million were below the budgeted amount of \$15.9 million. Pumpage for the month of December (264 million gallons) was below budget (274 million gallons). G. Torres commented on the Company's debt covenant schedule and cash flow statement, and reviewed the budget variance analysis and prior year variance analysis for each subsidiary. A discussion ensued.

### Qualified Capital Project Adjustment Charge (QCPAC)

D. Ware reviewed the Qualified Capital Project Adjustment Charge, known as "QCPAC." The QCPAC enables Pennichuck Water Works and Pennichuck East Utility to make necessary capital improvements to their water systems while maintaining sufficient cash flow to meet debt service and operating requirements. D. Ware reported that Pennichuck Water Works and Pennichuck East Utility filed in February QCPAC petitions with the New Hampshire Public Utilities Commission seeking recovery of amounts borrowed for capital projects.

### 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 19, 2019 meeting. He reported that the Committee reviewed the schedule of tasks completed in 2018 as required by the Standard Operating Procedures to the Company's emergency plans. The Committee reviewed and approved changes recommended by management to the emergency plans relating to threat checklists and quarterly fire prevention and safety walkthroughs of the facilities. D. Ware updated the Committee on the America's Water Infrastructure Act (AWIA) which requires community drinking water systems serving more than 3,300 customers to develop or update risk assessments and emergency response plans. More information on AWIA will be released by the EPA in August. The Committee also reviewed the Company's insurance portfolio. No significant changes were made from the prior year.

J. Dore reported that the Committee discussed management's recommendation that Pennichuck East Utility, Inc. (PEU) enter into a term loan with CoBank, ACB in an amount up to \$1,450,000 with a 20-25 year amortization schedule, to refinance and repay FALOC borrowings under PEU's \$3 million FALOC with CoBank. J. Dore indicated that the term loan would be secured by an unconditional guarantee of PEU's obligations by Pennichuck Corporation.

The Committee also discussed management’s recommendation to issue bonds to finance Pennichuck Water Works’ 2018 capital expenditures in an aggregate amount of up to \$8.8 million. The financing is a component of the 2017-2020 Financing Plan approved last year.

J. Dore reported that the Committee is recommending that the Board of Directors approve the term loan between Pennichuck East Utility, Inc. and CoBank, ACB in an amount up to \$1,450,000; and approve the issuance of bonds to finance Pennichuck Water Works’ 2018 capital expenditures in an amount up to \$8.8 million.

Bond Financing – Pennichuck Water Works, Inc.

After discussion, and at the recommendation of the Audit, Finance and Risk Committee, on motion duly made by J. Dore and seconded by J. Murphy, all of the Directors present then voting, it was unanimously

Resolved: that the financing plan for the financing of the capital expenditures of Pennichuck Water Works, Inc. (“PWW”) for 2018, 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 up to:	\$ 8,300,000
Taxable or Tax-exempt Bonds in one or more series OR Bank Credit Facility to fund Bond Issuance Costs – up to:	\$ <u>500,000</u>
Total 2019 Financing Plan:	\$ 8,800,000

(the “2019 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 2019 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 2019 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 2019 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.

CoBank Term Loan – Pennichuck East Utility, Inc.

After discussion, and at the recommendation of the Audit, Finance and Risk Committee, on motion duly made by G. Bower and seconded by E. Dunn, all of the Directors present then voting, the following resolutions were unanimously approved:

WHEREAS, reference is made to that certain Master Loan Agreement, dated as of February 9, 2010, between Pennichuck East Utility, Inc. (“PEU”), as borrower, and CoBank, ACB (“CoBank”), as lender (the “MLA”);

WHEREAS, in connection with and as part of the consideration for inducing CoBank to enter into the MLA, Pennichuck Corporation (the “Corporation”) agreed to enter into that certain Guarantee of Payment (Continuing) in favor of CoBank; and by resolutions taken on January 27, 2010, the Board of Directors of the Corporation approved the Guaranty and all related transactions to any loans under the MLA, including the New Loan, as described below; and

WHEREAS, the Corporation finds it beneficial that PEU take out an additional loan under the terms and conditions of the MLA (such New Loan further described below), for the purposes of refinancing 2018 capital expenditures paid for with the CoBank Fixed Asset Line of Credit.

NOW, THEREFORE, be it hereby:

Resolved: to authorize and approve PEU to enter into a term loan (the “New Loan”) to be advanced under and subject to the terms and conditions of the MLA and a new Promissory Note and Supplement thereto, as follows: up to One Million Four Hundred Fifty Thousand Dollars and No Cents (\$1,450,000), with a 20-25 year amortization schedule; at a rate of interest based on one of two interest rate options: a weekly quoted variable rate option or a quoted fixed rate option, each of which would be determined at closing on the New Loan.

Further

Resolved: that the Chief Executive Officer and the Chief Operating Officer of the Corporation are, and each of them hereby is, authorized to act as the Corporation’s representative (either in its own capacity, or in the Corporation’s capacity as the sole shareholder of PEU) for purposes of executing and administering the above-referenced New Loan and/or executing any other related documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or MLA.

Further

Resolved: that the Chief Executive Officer and the Chief Operating Officer of the Corporation are, and each of them hereby is, authorized to act as the Corporation's representative for purposes of executing and administering the above-referenced continuing corporate guarantee by the Corporation and/or executing any other related loan documents, certificates and undertakings on behalf of the Corporation with respect to the said New Loan and/or the MLA.

#### 2019 Annual Meeting of Sole Shareholder

The next order of business was to approve the date and place of the 2019 Annual Meeting of Sole Shareholder. On motion duly made by S. Genest and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

Resolved: that the 2019 Annual Meeting of Sole Shareholder be held on Saturday, May 4, 2019 at 9:00 a.m. at the DoubleTree by Hilton, 2 Somerset Parkway, Nashua, New Hampshire.

J. Dore left the meeting at 9:10 a.m.

L. Goodhue updated the Board on the following matters:

PFAS / Arsenic – L. Goodhue reported that a House Bill has been introduced to pass a law to establish standards for PFAS and Arsenic instead of having the NHDES set the standards. If passed, the law could set standards lower than what the NHDES would have implemented. Management will continue to monitor the matter.

CIAC Taxation – Management is working on a tariff change to gross up for the change in taxation. L. Goodhue reported on an issue with the contractor for Woodmont Commons relating to the construction of a water tank.

State Utility Tax – Bill has passed through the House. Will now go to the Senate. Management will continue to monitor.

Standard & Poor's – Recent rating call with Standard & Poor's went very well. Questions were narrow in scope. L. Goodhue indicated that he fully expects that the Company will retain its A+ stable rating.

Bedford, NH – PFAS project slated to be completed in April 2019.

Litchfield, NH – PFAS Phase II design work has been completed. Work to start in mid-to-late summer. Project to be completed in the fall.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to (i) discuss the acquisition, sale or lease of real or personal property, pursuant to RSA 91-A:3, II(d); and (ii) discuss matters which if discussed in public would likely affect adversely the reputation of a person, pursuant to RSA 91-A:3, II(c). E. Dunn seconded the motion.

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

Yea: D. Bernier, G. Bower, E. Dunn, S. Genest, J. Lustig,  
J. McGrath, J. Murphy, P. Stanley

Nay:

Motion was carried to enter into non-public session at 9:41 a.m.

Reconvene in Public Session

The non-public session ended at 9:59 a.m. and the Board reconvened in public session.

J. Lustig moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(d) and RSA 91-A:3, II(c). P. Stanley seconded the motion. A roll call of the Directors present was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, E. Dunn, S. Genest, J. Lustig,  
J. McGrath, J. Murphy, P. Stanley

Nay:

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

There being no further business to come before the Board, the meeting was adjourned at 10:00 a.m.

/s/ Suzanne L. Ansara

Suzanne L. Ansara  
Corporate Secretary