

PENNICHUCK CORPORATION

BOARD OF DIRECTORS
MINUTES OF FEBRUARY 28, 2020 MEETING
(Meeting was Continued on March 3, 2020)

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 28, 2020 at 8:00 a.m. at the Company’s offices at 25 Manchester Street, Merrimack, New Hampshire, and was continued on March 3, 2020, beginning at 6:02 p.m.

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:

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

Also attending the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer
Mary V. DeRoche, Human Resources Director
Suzanne L. Ansara, Corporate Secretary
George Torres, Corporate Controller
Carol Ann Howe, Assistant Treasurer
Steven Greenwood, IT Director
Chris Countie, Director, Water Supply and Community Systems
Bernard Rousseau, Vice President, PWSC
John Boisvert, Chief Engineer
Alan Brown, Distribution Manager

G. Bower 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.

The Chairman called the meeting to order.

Approval of Minutes

There being no comments on the draft minutes of the January 24, 2020 Board meeting, on motion duly made by S. Genest and seconded by J. McGrath, all of the Directors present then voting, it was unanimously

Resolved: that the minutes of the January 24, 2020 meeting of the Board of Directors are hereby approved.

Review of Preliminary Unaudited Financial Results through December 2019

G. Torres presented a review of the Company's unaudited consolidated financial results through December 2019 and a review of revenues/water usage. The Company's revenues of \$45.0 million were 1.1% below the prior year revenues and 3.3% below budget on a year-to-date basis. Operating expenses of \$39.0 million were 1.4% above budget and 2.0% above the prior year expenses. Operating income was \$6.0 million compared to prior year operating income of \$7.2 million and budgeted operating income of \$8.0 million. Interest expense of \$11.2 million was 3.5% less than budget and 2.4% greater than the prior year expense. Pre-tax loss was \$5.0 million compared to a budgeted pre-tax loss of \$3.6 million and prior year pre-tax loss of \$3.6 million. Year-to-date net loss was \$5.3 million compared to a budgeted net loss of \$3.5 million and prior year net loss of \$5.3 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$14.7 million compared to \$16.3 million in the 2019 budget and the prior year amount of \$15.4 million. Capital expenditures of \$16.6 million were below the budgeted amount of \$18.5 million. Pumpage for the month of December (266 million gallons) was below budget (274 million gallons). Overall, for 2019, pumpage was down 6% over the prior year. 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.

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 25, 2020 meeting. He said that discussions took place relative to the following:

- (a) Discussed management's recommendation to issue bonds to finance Pennichuck Water Works' 2019 capital expenditures in an aggregate amount of up to \$8.1 million. The Committee is recommending approval of the 2020 financing plan.
- (b) Discussed management's recommendation to pursue the issuance of taxable or tax-exempt bonds for the 2020-2024 capital needs of Pennichuck Water Works. The Committee is recommending that management be authorized to proceed with obtaining the necessary approvals to complete the application for issuance of the bonds.
- (c) Discussed management's debt restructuring plan for Pennichuck Water Works to issue bonds to refinance 2014A and 2015 A&B bonded debt, to refinance the note payable with American United Life Insurance, and to refill the rate stabilization fund. The Committee is recommending that management be authorized to proceed with obtaining the necessary approvals to complete the application for issuance of the bonds.
- (d) Discussed management's recommendation for Pennichuck East Utility to enter into a new \$805,000 term loan with CoBank to finance its 2019 capital expenditures, and to renew the Fixed Asset Line of Credit with CoBank. The Committee is recommending that Pennichuck East Utility enter into the term loan with CoBank, and that the Board authorize management to renew the Fixed Asset Line of Credit.

- (e) Discussed the refinancing of short-term intercompany borrowings from Pennichuck Corporation to Pennichuck East Utility. The Committee is recommending the refinance of the short-term borrowings.
- (f) Discussed extending the Company’s working capital line of credit with TD Bank another 60-90 days. The Committee is recommending that the Board authorize management to extend the expiration date.
- (g) Discussed Pennichuck Corporation’s \$10 million Fixed Asset Line of Credit with TD Bank which expires in August.

J. Dore also reported that the Committee reviewed the Company’s Property and Casualty insurance coverages and premiums for 2020; reviewed the Committee Charter and had no changes; reviewed the duties completed in 2019 in accordance with the Company’s Emergency Plans; and reviewed the list of management presentations for 2020. J. Dore indicated that a table top exercise of an emergency situation will be scheduled for the October 2020 Board meeting.

Pennichuck Water Works, Inc. - Bond Financing – 2019 Capital Expenditures

L. Goodhue reviewed the financing plan for the 2019 capital expenditures of Pennichuck Water Works. The Company is looking to issue taxable or tax-exempt bonds in an amount up to \$7.5 million to cover the capital expenditures and up to \$600,000 for the cost of issuance. He indicated that draft documents to complete the bond financing were included in the written materials to the Board. The financing is a component of the 2017-2020 Financing Plan approved in 2018. The Pricing Committee will meet on April 2 to issue the bonds and the bond closing is scheduled to take place on April 9. There was a discussion relative to bond rates.

On motion duly made by J. Dore and seconded by D. Bernier, 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 2019, 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:	\$ 7,500,000
Taxable or Tax-exempt Bonds in one or more Series OR Bank Credit Facility to fund Bond Issuance Costs – up to:	\$ <u>600,000</u>
Total 2020 Financing Plan:	\$ 8,100,000

(the “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 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 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 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.

Pennichuck Water Works, Inc. - Bond Financing – 2020-2024 Capital Expenditures

L. Goodhue discussed the bond financing plan for the 2020-2024 capital expenditures of Pennichuck Water Works. He said that based on forecasts for capital expenditures, the overall capital needs for the five years is estimated to be approximately \$50 million plus the cost of issuance of the bonds of approximately \$4 million. He indicated that management is seeking the Board’s authority to begin the process to obtain the necessary approvals to complete the application with the BFA for issuance of the bonds. Approvals will be required from the NHPUC, the Governor and Council and the City of Nashua. After discussion, the Board gave their approval to proceed. It was agreed by the Board that this matter will be voted on by the Pennichuck Water Works Board of Directors at their meeting later today.

Rate Case – Pennichuck Water Works, Inc.

L. Goodhue updated the Board on the status of Pennichuck Water Works’ rate case filed with the NHPUC in July 2019, which includes a request for modifications to its ratemaking structure. He reported that management has brought Attorney William Ardinger of Rath, Young & Pignatelli on board to assist with discussions with the Public Utilities Commission.

Pennichuck Water Works, Inc. - Debt Restructuring Plan

L. Goodhue reported that management is recommending that Pennichuck Water Works issue taxable or tax-exempt bonds of up to \$75 million to fund: (a) the refinancing of the currently outstanding balances of the 2014 Series A and 2015 Series A&B bonds; (b) the refinancing of the \$2.4 million note payable to American United Life Insurance which has a current interest rate of 7.4%; (c) the financing of \$5.5 million to refill the Rate Stabilization Fund; and (d) the cost of issuance for the bonds. This financing would eliminate the current bullet maturity obligation of the AULI note and replace with a lower interest rate; refill the Rate Stabilization Fund to its imprest level; and provide necessary cash flow savings to establish the proposed Material Operating Expense Supplement (MOES) in the current rate case. L. Goodhue answered several questions regarding the debt restructuring plan from the Board members. After discussion, the Board gave their approval to proceed. It was agreed by the Board that this matter will be voted on by the Pennichuck Water Works Board of Directors at their meeting later today.

Pennichuck East Utility, Inc. – CoBank Term Loan / Repay Fixed Asset Line of Credit (FALOC)

L. Goodhue indicated that management is seeking approval for the Company to enter into a term loan with CoBank in an amount up to \$805,000, with an amortization period up to 25 years. The interest rate will be determined based on market conditions. Proceeds from the loan will be used to refinance and repay up to approximately \$805,000 of borrowings by the Company under its \$3 Million FALOC with CoBank. The loan will be secured by an unconditional guarantee of Pennichuck East Utility's obligations by Pennichuck Corporation.

After discussion, and at the recommendation of the Audit, Finance and Risk Committee, on a motion duly made by J. Dore 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 financing 2019 used and useful 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 Eight Hundred Five Thousand Dollars and No Cents (\$805,000.00) 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.

CoBank – FALOC Renewal

L. Goodhue reported that the \$3 million Fixed Asset Line of Credit with CoBank expires on September 30, 2020, and discussions have already taken place with CoBank regarding renewal. He indicated that he is asking for the Board’s authority to proceed.

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

Resolved: that the Board of Directors hereby authorizes the Chief Executive Officer of the Company to negotiate the renewal of Pennichuck East Utility’s \$3 million Fixed Asset Line of Credit with CoBank, ACB.

PEU – Intercompany Refinance

L. Goodhue indicated that management is recommending that the outstanding balance of short-term advances of \$5.0 million from Pennichuck Corporation to Pennichuck East Utility, Inc. be refinanced for a term of 30 years at an interest rate of approximately 3.5%.

After discussion, and at the recommendation of the Audit, Finance and Risk Committee, on motion duly made by J. Dore and seconded by J. Lustig, 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 short term advances of \$5.0 million between Pennichuck Corporation and Pennichuck East Utility, Inc. as existed on December 31, 2019, for a term of 30 years at an interest rate of approximately 3.5% on a fully amortizing basis, converting short term obligations from PEU to the Company to long term notes payable.

Working Capital Line of Credit (LOC) with TD Bank – Extension of Expiration Date

L. Goodhue reported that management is seeking approval to extend the expiration date of the Company’s \$4 million line of credit with TD Bank for another 60-90 days. He indicated that management has been working with TD Bank to renew the LOC and a number of issues have come up. The LOC is due to expire on March 31, 2020 and an extension is needed until the issues have been resolved. A discussion occurred relative to the Company’s other options if the issues are not resolved with TD Bank, including an option to work with the Nashua Business Industrial Development Authority (BIDA).

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

Resolved: that the Board of Directors of Pennichuck Corporation (the “Company”) hereby consents to extending the expiration date of the Amended and Restated Loan Agreement and the Amended and Restated Revolving Note between the Company and TD Bank, N.A. dated April 27, 2018, from March 31, 2020 to 60-90 days thereafter; and that Larry D. Goodhue, the Company’s Chief Executive Officer, or Donald L. Ware, the Company’s Chief Operating Officer, are hereby severally authorized to execute any amendments to said Loan Agreement and Revolving Note on behalf of the Company to carry out the intent of this resolution.

Pennichuck Water Works – Fixed Asset Line of Credit (FALOC) with TD Bank – Renewal

L. Goodhue indicated that he is looking to renew the Pennichuck Water Works FALOC with TD Bank which is due to expire in August. He said that he has spoken with the Bank regarding possibly extending the amount of the FALOC from \$10 million to \$12 million, and indicated that he does not foresee any problems renewing the FALOC. The FALOC is used to fund cash flow needs associated with capital projects each year, which is then repaid in its entirety annually by the issuance of bonds. L. Goodhue asked for authority from the Board to pursue renewal of the FALOC.

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

Resolved: that the Chief Executive Officer of the Company is hereby authorized to negotiate the renewal of the Pennichuck Water Works, Inc. Fixed Asset Line of Credit with TD Bank, and to pursue increasing the amount of the Fixed Asset Line of Credit from \$10 million to \$12 million.

The meeting was temporarily adjourned at 9:10 a.m. to hold meetings of the Company's subsidiaries.

The meeting reconvened at 9:36 a.m.

All were present.

Business Updates and Comments from CEO

PFAS – L. Goodhue reported that a construction management agreement has been negotiated with St. Gobain for the next phase buildout in Litchfield to bring public water to an additional 30 homes. Bid documents are ready to go out to the public.

He indicated that there is no news on the lawsuit filed by the Town of Plymouth, 3M and others relating to the new PFAS standards set back in October.

Other Matters

Coronavirus – M. DeRoche will be attending a meeting scheduled by the City of Nashua's Emergency Management Director concerning the coronavirus.

Performance Appraisals - M. DeRoche reported that performance appraisals are almost completed. The new performance platform has streamlined the process.

Synergen Software - S. Greenwood reported on the status of the Synergen software replacement. The process is on time and on budget. A go live date is scheduled for January 1, 2021.

PWSC - B. Rousseau reported on several contract opportunities for the Pennichuck Water Service Corporation. He said that interest has been received from the City of Lowell for billing and customer service services, New Hampton, NH Village Water Precinct for full contract operation, and the Town of Webster NH Village Water Precinct.

Distribution - A. Brown indicated that flushing is scheduled to start the 1st or 2nd week of April. There will be a full crew of 6 at night. Also, the City paving program is starting up again. Approximately 30 miles of paving is planned.

Treasury – C. Howe indicated that the internal controls review and testing project is wrapping up. She will be presenting the results to the Audit, Finance and Risk Committee in late March.

New Corporate Office – L. Goodhue indicated that the renovation of the new corporate office on Walnut Street is coming along really well. The inside of the building has been gutted and there are no cracks in the concrete and the steel beams look like new. Update meetings occur every 2 weeks. Interior colors have been selected. Security issues are being dealt with. The Company's generator will be relocated to the new location sometime in November or December. The Company will be responsible for hiring contractors for snow removal and landscaping.

Paper Streets Lots – L. Goodhue indicated that management is still working on purchasing the two remaining paper street lots. Discussions have taken place with the current owners.

Sale of Land – L. Goodhue reported that the land owned in Bedford on Back River Road was sold yesterday, and an agreement is in place for the sale of the land owned in Derry on Richardson Road.

Solar Farm – L. Goodhue reported that the Company's attorney is working on obtaining the necessary approvals and permits for the solar farm. Construction is expected to be completed this year.

2020 Annual Meeting of Sole Shareholder

The next order of business was to approve the date and place of the 2020 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 2020 Annual Meeting of Sole Shareholder be held on Saturday, May 2, 2020 at 9:00 a.m. at the Pennichuck Distribution Facility, 16 Daniel Webster Highway, Merrimack, New Hampshire.

Security

M. DeRoche reviewed the Company's security policy with the Board relative to meetings which take place after hours. She indicated that Board members are required to sign in even though they have a visitor's badge. All Board members must sign out after the meeting. Any visitors to Board meetings have to sign in, wear a badge while present, and sign out. These rules are in place for the safety of visitors in case an emergency situation arises.

At 10:18 a.m., M. DeRoche, G. Torres, C. Howe, S. Greenwood, C. Countie, B. Rousseau, J. Boisvert and A. Brown left the meeting.

Move to Non-Public Session

S. Genest moved that the Board enter into non-public session to 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, J. Dore, E. Dunn, S. Genest, T. Leonard, J. Lustig,
J. McGrath, P. Stanley

Nay:

Motion was carried to enter into non-public session at 10:19 a.m.

Reconvene in Public Session

The non-public session ended at 10:55 a.m. and the Board reconvened in public session.

Matters Discussed at Non-Public Session

During the non-public session, the following occurred:

- (1) On a motion duly made by S. Genest and seconded by J. Lustig, the sealed non-public session minutes of the Board's January 24, 2020 meeting were approved.
- (2) A discussion relative to succession planning relating to the CEO and COO positions occurred;
- (3) E. Dunn, the Chairman of the Nominating and Governance Committee, gave a report on the Committee's February 4, 2020 meeting. She reported that the Committee interviewed H. Scott Flegal, a Nashua resident and attorney, for the vacant director position in Class B. It was the overall consensus of the Committee to continue Attorney Flegal in the nominating process. A second public interview is scheduled for March 3.

Recess Meeting

It was agreed to recess the Board meeting until March 3, 2020, immediately following the meeting of the Nominating and Governance Committee scheduled for 5:30 p.m. on that date. The meeting was recessed at 10:57 a.m.

Reconvene Meeting

The meeting was reconvened at 6:02 p.m. on Tuesday, March 3, 2020.

Present were the following Directors: Chairman Thomas J. Leonard, James P. Dore, Elizabeth A. Dunn, Jay N. Lustig, John D. McGrath, Deborah Novotny and Preston J. Stanley, Jr. Present from the Company were Larry D. Goodhue, CEO, and Suzanne L. Ansara, Corporate Secretary.

Report of the Nominating and Governance Committee

E. Dunn, Chairman of the Nominating and Governance Committee, gave a report on the Committee's March 3, 2020 meeting. She reported that the Committee conducted a public interview of Attorney H. Scott Flegal for the vacant director seat. There were no attendees from the Company's sole shareholder, the City of Nashua, or from the general public. She indicated that the Committee had assessed the performance of the incumbent directors who are up for re-election to the Board in 2020 at the Committee's meeting on February 4. E. Dunn reported that the Committee is recommending that the Board nominate James Dore, Elizabeth Dunn, H. Scott Flegal and Deborah Novotny for election to the Board of Directors at the 2020 Annual Meeting of Sole Shareholder. E. Dunn also reported that the Committee reviewed the draft proxy material for the 2020 Annual Meeting of Sole Shareholder and is recommending that the Board approve the proxy materials

Approve Slate of Director Nominees for Annual Meeting

After discussion and based on the recommendation of the Nominating and Governance Committee, on motion duly made by J. McGrath and seconded by P. Stanley, all of the Directors present then voting, it was unanimously

Resolved: that James P. Dore, Elizabeth A. Dunn, H. Scott Flegal and Deborah Novotny are hereby nominated for election to the Board of Directors of Pennichuck Corporation at the 2020 Annual Meeting of Sole Shareholder, as Class B Directors, each for a three-year term, and until their successors are elected and qualified.

Approval of Proxy Material for Annual Shareholder Meeting

Based on the recommendation of the Nominating and Governance Committee, and upon review, 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 draft Proxy Card, Notice of Annual Meeting and Proxy Statement for the 2020 Annual Meeting of Sole Shareholder, as presented at this meeting, are hereby approved; and that the Chief Executive Officer and the Corporate Secretary are each hereby authorized to make such changes as they deem necessary and appropriate.

There being no further business to come before the Board, the meeting was adjourned at 6:10 p.m.

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