

PENNICHUCK CORPORATION

BOARD OF DIRECTORS
MINUTES OF FEBRUARY 24, 2023 MEETING

A regular meeting of the Board of Directors of Pennichuck Corporation (the “Company”) was held on Friday, February 24, 2023, at 8:35 a.m. at the Company’s offices at 25 Walnut Street, Nashua, 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 start of the meeting, constituting a quorum:

Thomas J. Leonard, Chairman
David P. Bernier (via Microsoft Teams)
C. George Bower
Amymarie R. Corriveau
Elizabeth A. Dunn
H. Scott Flegal
Stephen D. Genest (via Microsoft Teams)
Ralph Jenkins (via Microsoft Teams)
Jay N. Lustig
Deborah Novotny
Sarah Pillsbury

D. Bernier, S. Genest and R. Jenkins stated the reasons they could not attend the meeting in person, that they were alone, and could hear the proceedings.

Attending all or a portion of the meeting from the Company were:

Larry D. Goodhue, Chief Executive Officer
Mary V. DeRoche, Human Resources Director
George Torres, Chief Financial Officer, Treasurer and Corporate Controller
Carol Ann Howe, Assistant Treasurer and Corporate Secretary
Steven Greenwood, IT Director
Tara King, Revenue and Customer Operations Director
John Boisvert, Chief Engineer
Alan Brown, Manager, Distribution
Chris Countie, Director, Water Supply and Community Systems
Lori Douglas, Assistant Controller

C. Howe 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 27, 2023 Special Meeting of the Sole Shareholder and on the draft minutes of the January 27, 2023 meeting of the Pennichuck Corporation Board of Directors, on motion duly made by E. Dunn and seconded by J. Lustig, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the draft minutes of the January 27, 2023 Special Meeting of the Sole Shareholder are hereby approved.

Resolved: that the draft minutes of the January 27, 2023 meeting of the Board of Directors are hereby approved.

Preliminary Review of Unaudited 12/31/22 Financial Results – L. Douglas

L. Douglas presented a financial update through December 31, 2022. Pumpage for 2022 was 4.9 billion gallons. Capital expenditures of \$8.3 million were below the budgeted amount of \$13.7 million.

She reviewed the Company's unaudited consolidated income statement, balance sheet, cash flow statement and debt covenants report through December 31, 2022. Revenues of \$56.0 million were 7.8% above the prior year revenues and 1.4% above budget on a year-to-date basis. Operating expenses of \$44.3 million were 2.3% above budget and 4.5% above the prior year expenses. Operating income was \$11.8 million compared to prior year operating income of \$9.7 million and budgeted operating income of \$12.1 million. Interest expense of \$14.1 million was 4.0% less than budget and 1.5% greater than the prior year expense. Pre-tax loss was \$2.3 million compared to a budgeted pre-tax loss of \$2.6 million and prior year pre-tax loss of \$3.9 million. Year-to-date net loss was \$2.3 million compared to a budgeted net loss of \$1.8 million and prior year net loss of \$3.7 million. Year-to-date earnings before interest, taxes, depreciation and amortization was \$20.8 million compared to \$21.1 million in the 2022 budget and the prior year amount of \$18.9 million.

Bond Financing – Pennichuck Water Works, Inc.

L. Goodhue referred the Board to the resolutions in the Agenda relating to the Company's plans to finance the 2022 capital expenditure needs of Pennichuck Water Works, Inc. through the issuance of bonds. He said that the Audit, Finance and Risk Committee has reviewed the financing and voted to recommend approval by the Board, and that the Pennichuck Water Works Board approved the financing at its meeting earlier today.

After a brief discussion, on motion duly made by J. Lustig and seconded by E. Dunn, all of the Directors present then voting by roll call, it was unanimously

Resolved: that the financing plan for the financing of the capital expenditures of Pennichuck Water Works, Inc. (“PWW”) for 2022, 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 an aggregate amount not to exceed:	\$ 6,200,000
Taxable or Tax-exempt Bonds in one or more series OR Bank Credit Facility to fund Bond Issuance Costs, not to exceed:	\$ 200,000
Total 2023 Financing Plan not to exceed:	<u>\$ 6,400,000</u>

(the “2023 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 2023 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 2023 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 affect the 2023 Financing Plan.

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 Loan – Pennichuck East Utility, Inc.

L. Goodhue indicated that management is seeking approval for Pennichuck East Utility to enter into a term loan with CoBank, ACB in an amount up to \$800,000, with an amortization period of up to 25 years. The proceeds from the loan will be used to refinance 2022 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit. This loan will be secured by an unconditional guarantee of Pennichuck East Utility's obligations by Pennichuck Corporation.

On a motion duly made by R. Jenkins and seconded by A. Corriveau, all of the Directors present then voting by roll call, 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 "Original 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 Original MLA, including the New Loan, as described below;

WHEREAS, PEU and CoBank entered into a First Amendment to the Original MLA as of April 25, 2018 to amend a certain debt service coverage ratio required of PEU (the "First Amendment");

WHEREAS, PEU and CoBank entered into a Second Amendment to the Original MLA as of July 22, 2019 to amend annual financial statement obligations of PEU and the Corporation, to apply a debt service coverage ratio to the Corporation and amend certain related definitions, and to eliminate a total debt to total capitalization ratio (the "Second Amendment"); and

WHEREAS, the Corporation finds it beneficial that PEU take out an additional loan under the terms and conditions of the Original MLA, as amended by the First Amendment and the Second Amendment (the "MLA") (such New Loan further described below), for the purposes of financing 2022 used and useful capital expenditures paid for with the CoBank Fixed Asset Line of Credit during 2022, including interest accrued thereupon.

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 Thousand Dollars and No Cents (\$800,000.00) with an up to 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, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer 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, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer 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.

Further

Resolved: that the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Treasurer and the Assistant Treasurer of the Corporation are, and each of them hereby is, authorized and directed to take any and all actions to obtain all necessary approvals for the guarantee from the City of Nashua (in its capacity as the sole shareholder of Pennichuck Corporation), and any other authority determined, as a requirement, by such officers.

Report of the Nominating and Governance Committee – E. Dunn

E. Dunn, Chairman of the Nominating and Governance Committee, gave a report on the Committee’s February 22, 2023 meeting. She reported that the primary purpose of the meeting was to cover two items – the assessment of Directors up for re-election to the Board and a review of the results of the Board survey. She also indicated succession planning was discussed.

T. Leonard indicated that no action by the Board was required at this time.

2023 Annual Meeting of Sole Shareholder

There was a discussion relating to the setting of the date, time and place of the 2023 Annual Meeting of Sole Shareholder.

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

Resolved: that the 2023 Annual Meeting of Sole Shareholder be held on Saturday, May 6, 2023 at 9:00 a.m., at the Distribution facility at 16 DW Highway in Merrimack.

Business Updates and Comments from CEO

L. Goodhue discussed continuing activity at the legislative level to potentially allocate \$9.7 million in funds from the State’s budget to bring water to the east side of the Merrimack River to communities impacted by PFAS. L. Goodhue and D. Ware attended a hearing of the Finance Committee and answered some questions from those in attendance. L. Goodhue noted that there was no indication if the legislation will be passed and that there are many uncertainties related to a potential new system. T. Leonard indicated that ongoing discussions related to State Legislation should be discussed at future meetings.

Other Business

The Board had no comments on the Management Presentation list.

Move to Non-Public Session

S. Pillsbury moved that the Board enter into non-public session to (i) discuss matters, which if discussed in public, would likely affect adversely the reputation of a person pursuant to RSA 91-A:3, II(c), (ii) discuss financial or confidential information pursuant to RSA 91-A:3, II(j), and (iii) consider matters relating to the preparation for and the carrying out of emergency functions, pursuant to RSA 91-A:3, II(i). E. Dunn seconded the motion.

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

Yea: D. Bernier, G. Bower, A. Corriveau, E. Dunn, S. Flegal, S. Genest,
R. Jenkins, T. Leonard, J. Lustig, D. Novotny, S. Pillsbury
Nay:

Motion was carried to enter into non-public session at 9:38 a.m.

Reconvene in Public Session

The non-public session ended at 12:25 p.m. and the Board reconvened in public session.

E. Dunn moved that the Board seal the minutes of the non-public session under RSA 91-A:3, II(c), RSA 91-A:3, II(j) and RSA 91-A:3, II(i). G. Bower seconded the motion. A roll call of the Directors present was taken, which resulted as follows:

Yea: D. Bernier, G. Bower, A. Corriveau, E. Dunn, S. Flegal, S. Genest,
R. Jenkins, T. Leonard, J. Lustig, D. Novotny, S. Pillsbury
Nay:

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

There being no further business to come before the Board, the Chairman adjourned the meeting at 12:27 p.m.

Carol Ann Howe

Carol Ann Howe
Assistant Treasurer &
Corporate Secretary